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# China Report

ECONOMIC AFFAIRS

**FBIS**

FOREIGN BROADCAST INFORMATION SERVICE

20 OCTOBER 1986

## CHINA REPORT ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### CIRCULAR ISSUED ON MAJOR ECONOMIC TARGETS

HK120953 Beijing JINGJI CANKAO in Chinese 4 Sep 86 p 1

[Report: "The State Economic Commission and State Statistics Bureau Issue a Circular on the Implementation of the Major Economic Targets in the Industrial and Communications Sectors in the First Half of 1986 (30 August 1986)"--  
Passages in slantlines published in boldface]

[Text] In the first half of 1986, the country's industrial and communications production expanded in a steady and coordinated way; total industrial output value was up 4.9 percent; the production of energy and raw and semifinished materials was in fairly good shape; the supply of readily marketable products on the market increased quite considerably; in foreign trade export volume rose remarkably; and the transport and communications sector overfulfilled its plans. The economic situation was fine on the whole. However, unsatisfactory economic results remained a salient problem in the current industrial production. According to statistics, in the first six months of the year, the profits and taxes realized by state-owned industrial enterprises as budgeted were 2.2 percent less than the same period of last year and the profits and taxes they handed over to the state were down 1.8 percent; the costs of comparable products were 4.2 percent higher than planned; the amount of losses suffered by loss-making enterprises totaled 2 billion yuan or an increase of 56 percent over the corresponding period of last year, the number of loss-making enterprises increased to 17.5 percent from 13.4 percent in the same period of last year; and the turnover period of working funds was lengthened to 11.8 days and in particular, the amount of funds used in the production of end products increased by a fairly big margin.

The main reasons for the unsatisfactory economic results are as follows:

1. The reform of the wage system carried out in enterprises at the beginning of 1986 upset the implementation of the enterprise economic responsibility system in some localities; the difficulties confronting the introduction of the director responsibility system seriously dampened the enthusiasm of staff members and workers as well as cadres for production for a time and in some localities there was a fairly slow growth in production and a drop in profits and taxes.
2. The product mix was not commensurate with the changed consumption patterns and the increase in funds used to turn out end products was excessive. At the

end of June, the amount of funds used by state-owned industrial enterprises to turn out and products totaled 36.7 billion yuan, nearly 8.5 billion yuan more than the same period of last year or up 29.8 percent, thus greatly exceeding the normal level and moreover, this was a common phenomenon. Apart from the normal and incidental factors, such as expansion of production scale, increases in the prices of materials and in transport charges, and seasonal factors, the main reasons behind this were a poor link-up between production and marketing and overstocking of some unsalable products resulting from their poor quality and unduly high prices. Of light industrial and textile items, those which were unmarketable constituted about 15 percent to 20 percent and the production of some items, such as clothes and candies, exceeded the capability of the market to absorb. Some products, such as black-and-white television sets and washing machines have not yet entered rural markets. More than 30,000 motor vehicles were held in stock in the eight key enterprises attached to the China Motor Vehicles Corporation at the end of June, a number 230 percent bigger than the corresponding period of last year.

3. Controls over quality and material consumption have been relaxed and in particular, the decline in product quality has not been checked. According to the statistics of the 75 major quality targets of 12 industrial and communications departments, the rate of product quality which steadily improved in the first half of the year was 62.7 percent, 10.7 percent-point less than in the same period of last year. The quality of some light industrial and textile products fluctuated fairly greatly and the quality of some machinery and electronics products left much to be desired. Of the 105 material consumption targets, 37.1 percent showed resilience. The main reasons behind uncertain quality and increased material consumption lay in the facts that some localities, departments, and enterprises tended to put one-sided stress on quantity to the neglect of quality and to attach importance to expansion of production scale to the neglect of intensive benefit and consequently, they failed to pay keen attention to management. Moreover, the quality of raw and semifinished materials and in particular, materials put under negotiated prices left much more to be desired.

4. There were big increases in various charges or fees, pushing product costs up. Since the beginning of this year, increases in the prices of raw and semifinished materials, wages, and in management fees have generated a rise in production costs and a drop in profits. According to the calculations of Shanghai Municipality, of the factors causing the reduction of profits, the effect of increased prices of raw and semifinished materials comprised 57.5 percent, that of increased costs resulting from the inclusion of newly increased wages constituted 13.7 percent, and that of increased interest payment and nonoperational expenses made up 12.3 percent. In the first six months of this year, Liaoning Province overspent 350 million yuan on production. Among other factors causing the overspending, the effect of increased prices and interest comprised approximately 60 percent and that of increased costs resulting from the inclusion of wages increased during the execution of the reform of wage system constituted [words indistinct] percent. In addition, many localities and departments arbitrarily apportioned expenses under a multitude of names among enterprises, such as fees for running power station projects as a contribution in the locally raised funds, expenses for building roads and bridges, costs for running schools based on locally raised

funds, tuition fees, membership fees to a society or association, and so on and so forth. In some localities there were nearly 100 kinds of such apportioned expenses, thus putting an added burden on enterprises.

In order to put an end to the present situation in which economic results are poor as quickly as possible, it is hoped that all localities and departments pay earnest attention to the following tasks in the months ahead:

/First, it is necessary to continue energetically implementing the spirit of the conference of governors, to adhere to reform, the spirit of the conference of governors, to adhere to reform, and to pump new vitality to enterprises./ Efforts should be made to further implement the State Council regulations concerning the expansion of decisionmaking power of enterprises, to pay close attention to the institution and perfection of an enterprise economic responsibility system and a director responsibility system, to persist in giving priority to the improvement of economic results, to effectively carry out the numerous regulations of the State Council on firmly curbing the arbitrary apportioning of expenses among enterprises, to lighten the burden on enterprises, and to create conditions favorable for enterprises to develop production and to raise economic results. On the basis of the steady and coordinated development of industrial and communications production in the first half of the year, continued efforts should be devoted to the organization and management of production. The growth of output value and the improvement of quality, marketability of products, reduction of consumption, and acceleration of the turnover period of funds should be closely combined so that this year's industrial production can expand at an appropriate rate and better economic results can be attained from it.

/Second, it is essential to expand sales, to make timely readjustments of the product mix, and to reduce overstocking of products./ In view of the current overstocking of products, while paying close attention to production, all localities and departments should organize cooperation between industry and commerce, open up more circulation channels, lead the direction of consumption, offer services to the doorstep, and do a vigorous job in sales promotion. It is necessary to transport the commodities which have become a drug on the market in cities and towns, but still find a market in rural areas, to the countryside for sale and to ship the commodities which are unsalable in a specific locality but have a good sale in other localities to those localities for sale. We should also do a good job in after-sales services and maintenance. We should appropriately widen price differences for products of different grades, high, medium, and low, set high prices for products of good quality, and promote the sales of goods of better and higher quality and of popular goods of dependable quality. On the other hand, we should actively readjust the product mix, strive to develop more new product designs and varieties, adhere to the notion of production according to sale, vigorously increase the production of goods in short supply and of export goods capable of earning foreign exchange, and limit the production of poor-quality and slow-selling goods.

/Third, it is imperative to vigorously promote the improvement of product quality and the sparing use of energy and raw and semifinished materials/ We should uphold the idea of quality going first, firmly implement Comrade

Xiaoping's directive of "what is most important is the problem of quality," and give prominence to the word "strict." We should further tighten overall quality control, extend the management of the process of production to that of designing and marketing; should rigorously strengthen the checking and control of the quality of raw and semifinished materials and ensure no substandard materials are used in production; and in implementing the economic responsibility system, we should stress that quality targets are the decisive factor for the distribution of bonuses by enterprises to their staff members and workers. We should launch the activities of contributing rationalization proposals and carrying out technological innovation with the improvement of quality and reduction of consumption as the main contents, mobilize our 80 million staff members and workers to concern themselves over quality and to give advice and suggestions for the improvement of quality, implement the trial methods of rewards for economizing on the use of raw and semifinished materials and fuels at each level of administration, ensure that rewards are duly conferred and penalties meted out, and resolutely cut down material consumption. Moreover, we should also vigorously carry out lateral comparisons between the economic and technological targets of enterprises of the same trade so as to promote the enterprises to strengthen business accounting, to see where they lag behind, to tap potentials, and to raise efficiency through practicing thrift.

/Fourth, keen attention should be paid to making up deficits and increasing surpluses./ All localities and departments should promptly implement the 10 measures recently issued by the Ministry of Finance and the State Economic Commission on vigorously making up deficits and increasing surpluses, persistently carry out a chief administrator responsibility system in regard to the work of making up deficits and increasing surpluses, and strengthen specific guidance. The practice of "contracting responsibility for one's losses, receiving no subsidies for the portion of losses in excess of fixed quotas, and retaining the portion of reduced losses for his own use" or the practice of contracting responsibility for progressively reduced losses should continue to be implemented in the loss-making units prescribed in the state plan. Such units which manage to turn losses into profits in a specific year are allowed, apart from receiving the amounts of subsidies for their losses checked and ratified that very year and retaining all the profits they created the same year at their own disposal, to share in proportion the profits they turned out in the second and third year following their profit-making year with financial departments. The units which incur losses outside the limits permitted by the state plan will not be subsidized and the amount of losses will be made up by directly deducting the retained profits and other officially-owned funds of the departments in charge of the units. Various localities are encouraged to allot in advance the loss targets for one to three years or lend them to the enterprises turning out readily marketable goods which are badly needed by society which suffer losses in operation due to their backward equipment so that the latter can speed up their technological transformation. The enterprises which have failed to make up deficits for a long period of time should be closed down, suspended, merged with other enterprises, diverted to other lines of production or associated with economic combinations according to their own merits so as to ensure the completion of the plan to turn losses into profits.



/Fifth, every effort should be made to ensure safety in production./ Injuries and deaths among staff members and workers have been growing in number since the beginning of this year. All localities and departments are urged to earnestly analyze the causes for this state of affairs and take measures to effectively avoid or reduce the occurrence of accidents.

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## PROVINCIAL AFFAIRS

### HE ZHUKANG INSPECTS PRODUCTION, RELIEF WORK

HK160253 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 14 Sep 86

[Text] This year, an exceptionally serious drought has emerged in our province. On 13 and 14 September, accompanied by Hu Shudian, Mayor of Zhengzhou city, Governor He Zhukang went to seriously stricken counties, including Maxian and Dengfeng counties, one after another to inspect production and the work of providing disaster relief. He also went to some townships where the disaster situation is serious and people's livelihood difficult, to visit the victims. He studied measures for production and providing disaster relief with leaders of the counties and townships. He put forward his views on the current work of providing disaster relief.

He demanded: all places must provide for and help themselves by engaging in production and do well in providing disaster relief. It is necessary to seriously organize the disaster areas to develop the commodity economy. According to our local resources, we must take such measures as are suitable to our local conditions, give play to our strong points, and develop diversification. At the same time, we must seize the season for production and promptly replant some vegetables. We must organize the masses to help each other. Regarding widowers, widows, those whose limbs are disabled, family members of soldiers and martyrs, and households enjoying the five guarantees who are unable to help themselves, governments at all levels must really make good arrangements for their food and shelter and guarantee their livelihood. It is essential to seriously organize the victims to work in city, county, township, and village enterprises. When the victims work in the enterprises, urban areas must help them in every possible way. We must ensure that every household has work to do and has income this winter and next spring and that they can make up for their losses caused by reduced in agricultural production with income from industrial and sideline production. We must strive to ensure that in a year of a serious disaster, peasants' income will not be reduced or will not be reduced as far as possible. We must advocate that we should consume grain in a planned and thrifty way. This is very important in a year of a serious disaster.

He Zhukang pointed out: It is a foregone conclusion that production will be reduced in autumn this year. It has rained in recent days and the rain will

help the growing maize. All places must mobilize the masses to seize the frost season to make preparations for sowing wheat as early as possible. The autumn crops which should be abandoned must be resolutely abandoned. We must really ensure that we can sow wheat sufficiently and well in time. We must lay a good foundation for next year's bumper wheat harvest.

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## ECONOMIC PLANNING

### NEI MONGGOL CHAIRMAN ON FOREIGN ECONOMIC, CULTURAL EXCHANGES

SK110544 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 10 Sep 86

[Text] At a meeting of principal leading comrades of various committees, offices, departments and bureaus under the regional government held on the morning of 9 September, Bu He, chairman of the region, pointed out that in developing the region's foreign economic and cultural relations, it is necessary to proceed from the reality of the whole region, and have an overall plan, and a unified guiding principle.

Comrade Bu He said: Over the past few years, the region's foreign economic work has yielded certain results but its rhythm is still rather slow. We should enhance our sense of urgency. All departments should lose no time in attending to the work relating to opening to the outside world and enlivening the domestic economy. At present, many of our cadres still do not have sufficient knowledge on enterprise management, economic relations and trade. They should step up study. They should also make great efforts to master foreign languages. Comrades engaged in relevant work, in particular, will face difficulty in doing their work if they do not know several foreign languages.

Comrade Bu He pointed out: Today when the international market is full of competition, our country is very attractive to developing countries. In the past few years, we carried out more economic and cultural exchanges with Japan and the United States. In the future, we should develop more relations with east and west European countries. We may develop more small and medium-scale projects to promote Nei Monggol's economy.

Speaking on the region's work for present and for next year, Comrade Bu He stressed: We should conscientiously grasp this year's industrial development, make a success of anti-disaster and relief work, and strive to fulfill the target of doubling the 1978's industrial and agricultural output value in 1987.

Comrade Bu He also introduced the participating comrades to the major situations and his impressions concerning his visit to Austria last July.

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## ECONOMIC PLANNING

### SHANGHAI FOLLOWING GUIDELINES OF SEVENTH 5-YEAR PLAN

Shanghai WEN HUI BAO in Chinese 27 Apr 86 p 1

[Article: "Shanghai Will Follow the 10 Guidelines Given in Seventh 5-Year Plan"]

[Text] What are Shanghai's policies and main tasks in its Seventh 5-Year Plan? As pointed out by Mayor Jiang Zemin in his "Draft Report on the Seventh 5-Year Plan for Shanghai's Economic and Social Development" delivered at the Fifth Session of the Eighth Municipal People's Congress, Shanghai's Seventh 5-Year Plan has been formulated to meet the general requirement for building the type of socialism with Chinese characteristics in line with the general principle of invigorating the economy at home and opening the country to the outside world. It is also based on the strategic requirements for Shanghai's economic development and compiled according to the proposals for Shanghai's Seventh 5-Year Plan. During the Seventh 5-Year Plan, Shanghai's economic and social developments will proceed according to the following important policies and principles:

---Give priority to the reform and actively promote economic restructuring so that reform and construction are adapted to and will promote each other.

---Resolutely control the scale of investment in fixed assets, properly readjust the investment pattern, and insure the completion of key projects.

---Give top priority to the improvement of economic results, especially the improvement of product quality, and correctly handle the relationships between economic results and growth rates and between quality and quantity.

---Step up urban infrastructural construction and gradually combine the transformation of the old with the construction of the new downtown areas.

---Further open Shanghai to the domestic and foreign markets, increase our foreign exchange earning capacity, and combine Shanghai's production and construction with the expansion of its economic and technical exchange with the foreign countries and the other parts of China.

---Reform the education system and scientific research, step up intellectual development, and promote scientific and technological progress.

---Adopt advanced technologies extensively and accelerate the transformation of traditional industries and the development of new industries selectively.

---Systematically readjust the production structure and accelerate the development of tertiary industries.

---Further improve the material and cultural lives of the urban and rural population as production and labor productivity increases.

---Step up the development of socialist spiritual civilization while promoting promoting socialist material civilization.

There are many things to be done during the Seventh 5-Year Plan, so priorities must be set. According to the proposals of the municipal party party committee, we should pay special attention to the following three major tasks:

1. Step up construction of infrastructure and improve the environment for investment and daily living.

2. Expand our economic and technical exchange with foreign countries and the other parts of China, make good use of foreign funds and increase our foreign exchange earnings through exports.

3. Accelerate the progress of science and technology and the training of personnel so as to promote economic prosperity and new developments in various undertakings.

These three major tasks will provide the key to building Shanghai into a modern socialist city with an open economy and diversified functions as its characteristics.

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## ECONOMIC PLANNING

### BRIEFS

SHANDONG CONFERENCE'S DEVELOPMENT GOALS--Jinan, 6 Sep (XINHUA)--Shandong Province, on China's east coast, plans to develop its energy, traffic, textile, and chemical industries during the 7th 5-Year Plan (1986-1990). According to a provincial conference held here to plan capital construction, the budget has allocated 30 billion yuan (8.1 billion U.S. dollars) to construct 66 main projects and 17 projects of technological renovation. The province is expected to have an annual production capacity of 233 million bbl of oil, 20 million tons of coal, 490,000 tons iron and steel, and 2.8 million tons of cement, when the projects are completed. China's new 5-year was adopted at the annual session of the National People's Congress earlier this year and all provinces, municipalities and autonomous regions have also made plans on local social and economic development in line with it. [Text]  
[Beijing XINHUA in English 1007 GMT 6 Sep 86] /9599

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## AGGREGATE ECONOMIC DATA

### BRIEFS

GANSU AUGUST INDUSTRIAL OUTPUT--Gansu's industrial output value in August was 1,063,390,000 yuan, an increase of 46.49 million yuan over the same month last year. The output value this year up to the end of August was 8,136,920,000 yuan. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 6 Sep 86 KH] /12913

MONTHLY INDUSTRIAL OUTPUT VALUE--According to the latest information released by the Municipal Statistical Bureau, Shanghai's total industrial output value in August was 7.268 million yuan, topping July by 4.4 percent and last August by 3.9 percent. The output value for the first eight months was 56,446 million yuan, 2.1 percent more than the same period last year. The accumulated output of 67 of the 106 major products or 63.2 percent, rose over the same period last year. The growth rate of all marketable light industrial goods, energy sources, and products of raw and semi-finished materials industry, as well as electrical and mechanical engineering equipment needed by key state construction projects, was larger than that of the total industrial output value. [Text] [Shanghai City Service in Mandarin 0000 GMT 5 Sep 86 OW] /12913

HENAN INDUSTRIAL OUTPUT--Henan's industrial output value in August was 2.886 billion yuan. This was 11 percent more than in July and 10.9 percent more than in August last year. Total output value from January to August this year was 21.5 billion yuan, a rise of 3.2 percent over the same period last year. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 10 Sep 86 HK] /12913

HUNAN INDUSTRIAL PROGRESS--Hunan's industrial output value from January to August was 19.88 billion yuan, an increase of 8.3 percent over the same period last year and slightly higher than the average national growth level. Output value in August rose by 2.5 percent over July and was 15.8 percent more than in August 1985. Growth in light and collective industry has been faster than that of heavy industry and industry owned by the whole people. [Summary] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 13 Sep 86 HK] /12913

CSO: 4006/3

## ECONOMIC MANAGEMENT

### LIAOWANG VIEWS NATION'S ECONOMIC SITUATION, REFORM

HK221135 Beijing LIAOWANG in Chinese No 36, 8 Sep 86 p 4

[LIAOWANG commentator's article: "Much Thought is Needed to Attain Higher Plane"]

[Text] More than half of the year has passed. What will be the general economic situation of this year as a whole? This may be summed up in the following verses:

New steps have been made in the reform, which is advancing steadily,

Production is increasing and becoming normal in the main;

The scope of capital construction is still too large, and efficiency is low,

Much thought is needed to attain a higher plane.

Of course, economic affairs are very complicated and cannot be fully and accurately expressed by only a few verses. These summaries are certainly not enough for our readers who are interested in this matter. So, let us look at the following facts.

In the reform of the economic structure, a comparatively big step was already made last year. This year, we have implemented the policy of "consolidating, assimilating, supplementing, and improving" and, apart from perfecting the existing measures of the reform, mainly grasped the development of lateral economic ties and the improvement of macro control. Very good results have been made in these respects. At the same time, in light of the situation of our economic development, the Chinese government has also put forth some new measures for the reform, which are urgently needed and bearable by our society in the current stage. They have already played an important role in mobilizing the initiative of various sectors.

In agriculture, the government has adopted a series of positive measures to stimulate grain production and strengthen the foundation of agriculture. What happened last year when grain-sowing areas were excessively reduced has already been changed. A bumper harvest of summer grain was reaped this year, with an increase of 5 to 6 billion jin over last year. The output of early rice also increased by more than 3 billion jin. Autumn grains are growing

5-Year Plan--will be removed. If the directives of the central authorities are resolutely implemented by all walks of life and all localities, it can be expected that the year 1986 will continue to be a year of steady advance toward the set goal.

At the beginning of this year, when the central authorities put forth the policy of "consolidating, assimilating, supplementing, and improving," some people felt very worried about it. They felt vexed in the face of a lot of problems caused by the excessive development in 1985 and were worrying about whether the reform measures can be further implemented. They were also anxious about whether the goal of the Seventh 5-Year Plan could be attained. In some places far away from China, some foreign newspapers and journals made all kinds of pessimistic predictions, even saying that China's reform would be "abandoned" and "stopped," due to the "great difficulties it has encountered." However, just more than half a year has passed, and the facts incontrovertibly prove that the policy decisions of the CPC and the Chinese government are wise, the willpower of the Chinese people is amazing, and the determination of the Chinese nation in reform and their desire for development are firm. Now the worried looks on people's faces have been replaced by greater confidence and unremitting efforts. Some foreign newspapers and journals also began to remake predictions and judgments. They began to admit that China's reform is "steady," "solid," and "unshakable," and that "great" achievements have been made in China's current economic development. Those views that China's reform will be "abandoned" and "stopped" have almost disappeared.

China is a large country with a population of more than 1 billion. It is certainly very difficult to run such a big country. We must never overlook the difficulties. However, what is as important as that is that since China is a big country, and once it is called into action and moves along the correct track, it will have a great pounding force that can never be obstructed by any difficulties. This is the secret of observing Chinese problems correctly. A quick response to certain errors or unexpected happenings and a quick solution to these problems also show that the Chinese government has already had the initiative in hand in handling economic affairs. This is also an important matter to be noticed when observing the Chinese problems.

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CSO: 4006/011



JOURNAL'S VIEWS ON CURRENT ECONOMIC SITUATION CITED

HK210254 Beijing XINHUA Hong Kong Service in Chinese 0147 GMT 21 Sep 86

[Text] Beijing, 21 September (XINHUA)--The overseas edition of LIAOWANG magazine to be published tomorrow carries an article analyzing China's current economic situation and proposing countermeasures for solving the problems.

The signed article, entitled "Analysis of the Current Economic Situation and Countermeasures," says that China's current economic situation is relatively stable and results are already evident in resolving the problems of excessive growth in demand and overheating of the economy. The excessively rapid development of industry has slowed, and the January-July growth rate was 5 percent. There are ample supplies of retail commodities in society, and market prices are relatively stable. There has been a big increase in urban and rural savings deposits, the situation in withdrawing currency from circulation is relatively good, and some relaxation has started to appear compared with the shortages of last year.

The article points out that there are also a number of factors for instability in China's economy at present. Investment in fixed assets in units owned by the whole people totaled 48.9 billion yuan in the first half of the year, a figure that was still too high, and bank cash payments for wages during the period rose by 20.5 percent compared with the same period last year. Hence, viewed from the angles of the growth in investment and consumption funds, the pattern of "excessive distribution" of the national income has not changed. Due to the excessive distribution of the national income for several successive years, a number of "undercurrents" have formed in the national economy. These are mainly manifested in declining economic results, a continuing shortage of mobile capital, foreign trade imports exceeding exports, and slow growth in financial revenue.

In view of this, the article proposes countermeasures for fundamentally eliminating the factors for instability. These countermeasures are: the focus in economic leadership work should be shifted to improving and strengthening macroeconomic control and restraining total social demand, in order to create a relaxed economic environment for reforms; fresh stock should be taken of finances, credit, materials, and foreign exchange, and efforts



should be made to achieve all-round balance in the national economy on the basis of balance in each component; the demand for capital should be kept under control, and this first means controlling the scale of construction; the national economy should be readjusted; and the investment structure and the enterprises should be seriously readjusted.

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CS0: 4006/011

## ECONOMIC MANAGEMENT

### BENEFITS OF ECONOMIC REFORMS VIEWED BY REGION

OW211112 Beijing XINHUA in English 0749 GMT 21 Sep 86

[Text] Beijing, Sep 21 (XINHUA)--While the eastern part of China enjoys the highest cash income in the country, the western part is the biggest beneficiaries of the current economic reforms.

This is a conclusion of a recent survey of 17,000 urban families in the eastern, central, and western China conducted by the State Statistics Bureau.

The eastern part covers eight coastal provinces and three municipalities of Beijing, Tianjin, and Shanghai. The central part includes Heilongjiang, Jilin, Shangxi, Inner Mongolia, Henan, Hubei, Hunan, Anhui, and Jiangxi. And the rest of the country belongs to the western part.

According to the survey, the average per capita family income in urban areas as a whole in 1985 was 752 yuan, 10.6 percent higher in real terms than the preceding year. The average figure for the eastern part of China was 810 yuan, 158 yuan or 24 percent more than in 1984. But the price index for living expenses in this part of the country rose by 13.3 percent. The real increase in the family income disposable as living expenses rose by 9.6 percent.

The average per capita family income in the same year in the central part of China was 655 yuan, 19.1 percent lower than the eastern part while the figure for the western part was 708 yuan, 12.6 percent lower than the eastern part. But the price level for living expenses in these two parts of the country rose by 9.8 percent and 9.5 percent, respectively. Price rise factor allowed, the real increase in the family income disposable as living expenses was 11.8 percent and 11.6 percent, respectively, both higher than the eastern part of the country.

In terms of family wealth, the eastern part of the country leads the way while the western part is slightly more than the central part.

The factors contributing to the differences are: 1) The eastern part of the country leads the way in economic reforms, thus bringing prosperity to the region. 2) The regional differences in pay are big, with the central part of the country being the lowest. 3) With the deepening of economic reforms, the eastern part is able to provide more employment opportunities than the central and western part of the country.

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CSO: 4020/7

## ECONOMIC MANAGEMENT

### PRIVATE SECTOR DEVELOPMENT POLICY REAFFIRMED

OW231646 Beijing XINHUA in English 1623 GMT 23 Sep 86

[Text] Beijing, Sep 23 (XINHUA)--China will not change its policy of developing the private sector of the economy, said Ren Zhonglin, director of the State Administration for Industry and Commerce.

He told a meeting of the preparatory committee for the establishment of the National Self-Employed Association today that to develop private industry and commerce is a long-term policy of the party and the state. He called on all government departments to give active support to the private sector of the economy and help them solve difficulties.

He said that the private sector as a whole has been developing steadily and the number of people involved in this sector has topped 20 million.

But in the first half of this year, he said, there was a downward trend, with the number of households engaging in industry and commerce reduced by 360,000 and the number of people involved reduced by 460,000.

He said that there were many reasons for the reduction. Apart from the necessary cuts, shortage of the supply of raw materials, and the operational sites and the changes in people's thinking were also among them, he said.

The present number of private industrial and commercial establishments was far from enough, he asserted. In many places, there are serious difficulties in eating out, making clothes, and having things repaired. It is, therefore, imperative to continue efforts to develop the private sector of the economy while boosting the public sector of the state and collectives.

He called on all the self-employed associations in 26 provinces, autonomous regions, and municipalities to help the government by supporting the private businesses and reflecting their opinions and demands. At the same time, he said, such businesses should improve their services to the people.

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CSO: 4020/7

## ECONOMIC MANAGEMENT

### SURVEY NOTES NEW COMMODITY CIRCULATION SYSTEM

OW242035 Beijing XINHUA in English 1642 GMT 24 Sep 86

[Text] Beijing, Sep 24 (XINHUA)--Groups of commercial firms, wholesale systems centering on major cities and sales networks of industrial company groups will constitute the "three pillars" of China's future commercial circulation system.

The state commission for restructuring the economy has based this conclusion on a recent survey of major state-run commercial businesses across the country.

According to the survey, the establishment of big commercial firms based in major cities is regarded as a breakthrough in the on-going reform of the country's commercial management system.

A commission official said, "This practice has proved to be effective in breaking down regional barriers in commodity circulation caused by administrative divisions.

The survey shows that some major cities have made great strides in promoting cooperation between industrial and commercial firms, between agricultural producers and commercial firms and between commercial firms themselves.

Some principal firms have improved their services and expanded their business scope through the reform and cooperation with their counterparts elsewhere. A typical example is the Nanfang bazaar, the leading department store in the Guangdong provincial capital of Guangzhou.

The bazaar has opened four subordinate stores in Guangzhou and has forged joint sales ties with stores in Beijing and other big cities. It has also organized a commercial group involving 147 industrial manufacturers and commercial firms throughout the country.

The survey also shows that another result of the reform is the opening of new wholesale firms run by the state, collectives and individuals over the past few years. Previously, there were only state-owned wholesale companies in China.

The official said that these new firms are helping speed up commodity circulation and promote competition to the benefit of consumers.

Moreover, industrial groups led by key businesses have appeared. Members cooperate in scientific research, production, marketing, and financial management.

With sufficient funds, sophisticated technology and a competent marketing force, they are able to manufacture and distribute a complete range of products and equipment.

Meanwhile, they have set up sales networks in China and abroad to market their products and accept orders, forming a new commodity circulation channel for China.

Other industrial firms either join the sales network of the groups, put their goods on the wholesale market or send their products directly to retail markets.

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## ECONOMIC MANAGEMENT

### SICHUAN VICE GOVERNOR ON INDUSTRY, COMMUNICATIONS

HK080535 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 6 Sep 86

[Text] On 5 September the provincial government held a forum on current focal points in propaganda work in the industrial and communications front. Vice Governor Ma Lin gave a report on arrangements for the province's industrial and communications production in the last four months of this year. He said that September and October are the golden season for developing industrial and communications production. We must seize this good opportunity, grasp in an all-round way speed, efficiency, quality, and reserve strength, and strive to fulfill this year's plan for industrial production. In this connection, we must firmly grasp the following six tasks:

1. We must further implement various policies of enlivening enterprises and use the policies to unleash the initiative of enterprises and their staff.
2. We must do a good job in using the province's power supply and natural gas so that the province's limited power supply and natural gas can be brought into full play.
3. We must vigorously increase the production of marketable products, readjust product mix, and develop more new products.
4. We must improve marketing and circulation channels so as to turn products into commodities and commodities into cash as soon as possible.
5. We must encourage the masses to offer advice, strengthen management, and enhance technological transformation so that enterprises can have vitality and reserve strength.
6. We must strengthen ideological and political work, and properly conduct ideological education with staff and workers so as to promote industrial and communications production.

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CSO: 4006/011

## FINANCE AND BANKING

### FINANCIAL MINISTER'S SPEECH ON CONSTRUCTION BANK

Beijing CAIZHENG YANJIU [FISCAL SCIENCE] in Chinese No 4, 28 Apr 86 pp 1-5

[Speech by Wang Bingqian [3769 2671 0051] at the National Conference on the onstruction Bank, edited from minutes by Liu Dewei [0461 1795 4850] without the speaker's examination]

[Text] The Construction Bank's national conference has lasted 9 days. We have summed up the work in 1985 in a realistic way, and decided on the plan of action for 1986. After serious discussions, we have reached a common understanding. This meeting was very successful.

Despite the arduous tasks and the many difficulties it confronted in 1985, the Construction Banks has worked hard, and with success, to improve the overall situation. All reforms have made headway to varying extents. The targets set in the budget for capital construction expenditures and in the plans for credit receipts and payments were fairly satisfactorily met, and this contributed to the balance of the state revenues and expenditures and helped the bank control its credit and issuance of currency. Of course, there are still certain shortcomings, and we must carefully sum up our experiences to make improvements.

Now that the tasks for 1986 has been determined at the meeting, I would like to express some views on ways to accomplish them.

#### I. Strengthen and Improve Macroeconomic Regulation, Continue To Control the Scale of Fixed Asset Investment

To solve the problems of excessive fixed asset investment, and excessive increase in bank credit, consumption funds and currency issuance, the State Council has held four consecutive meetings of provincial governors since 1985 to reach a common understanding, and adopted a series of measures including the combined use of economic, legal and administrative means to strengthen macroeconomic control and management. As a result, some of these problems have been gradually solved, and some are now being solved. The excessive rate of industrial growth has been gradually reduced; the investment in capital construction has been brought under control; the control over consumption funds and credit has shown initial success; and in state finance, revenues and expenditures have been balanced, leaving a small surplus revenue. This



situation is very helpful to economic stability and the promotion of the structural reform. However, we must also note that in the current economy, the elements of instability have not been completely eliminated, and the trend of the total demand exceeding the total supply in the society has not been reversed. Excessive fixed asset investment is still the crucial issue, but the way to solve the problem of excessive increase in extra-budgetary investment in fixed assets is far from ideal. In 1985, the total investment in the fixed assets of state-owned units was planned, at the beginning of the year, to be 116 billion yuan, of which, 165.2 billion yuan, a 39.4 percent increase over the previous year, was actually used. This rate of increase was far higher than the 16.4 percent growth rate of gross value of industrial and agricultural output and the 12.3 percent growth rate of national income. In 1986, investment in the fixed assets of state-owned units was planned to be X yuan. This figure was set on the basis of a unduly high investment in 1985, and the slightest relaxation of efforts on our part may intensify the imbalance of the state's financial and material resources. Therefore, the task of controlling the scale of investment in fixed assets is quite important in 1986, and we must be fully aware of this situation. This issue has an important bearing on the overall situation and affects the sustained, coordinated and stable development of the national economy as well as the smooth progress of various structural reforms. It must not be taken lightly.

While controlling the general scale of investment, we must also carefully readjust the investment pattern. The main purpose of this readjustment in 1986 is to revise the investment ratios for energy, transportation and the basic industries which were too low, and to deal with the problem of excessive investment in the processing industries and nonproductive construction. We must have the determination to straighten things out with regard to the projects now under construction by either continuing or halting the projects and to save more financial and material resources for the key projects. Without this determination, it will be difficult for the investment pattern to be readjusted, and the work will be much harder in the next several years.

It is the unshirkable responsibility of the Construction Bank to strengthen and improve the macroeconomic control over investment. For a long time, the Construction Bank at every level has played an important role and accumulated good experiences in the equitable and frugal use of funds and in promoting the development of various construction projects according to state plans. In the past several years, when investment in fixed assets was increasing rapidly, it also did a good job in keeping the state's budgetary investment basically within bounds and in further strengthening the management and supervision over extra-budgetary investment. It also took the initiative of making reports and suggestions to the relevant departments while managing the funds and supervising their use. This shows the importance of the Construction Bank's function in strengthening and improving the macroeconomic control. I hope the Construction Bank will continue to preserve these fine traditions, achieve a unity of purpose, bring into play its strong points, overcome the existing difficulties, make every effort to cooperate with the departments concerned through counsel and advice, and make new contributions to the consolidation and development of the present excellent situation which has not come easy.



To control the scale of fixed asset investment, we must first effectively control budgetary construction funds. Budgetary investment is one of the major tasks handled by the Construction Bank, and most of the funds are used in the state's key construction projects. The proper or improper use of these funds not only affects the general scale of investment, but also produces profound and long-lasting effects on the national economic development. Therefore, we must all actively participate in deciding on the plans, in determining the number of projects and in clearing up the projects still under construction. We must also carefully evaluate the projects and arrange for the allocation of funds each year according to state plans. At the same time, we must also carefully control extra-budgetary investment. According to State Council regulations, all capital construction investments are under the unified control of the Construction Bank. The Construction Bank must, therefore, faithfully fulfill its duties and responsibilities. It must, on the one hand, strictly abide by the plans in the supply of state funds and in supervising their use so as to avoid duplicate or blind construction to save more funds for the projects urgently needed by the state. On the other hand, it must follow the state plans and policies in granting loans. At present, when the tendency of increasing investment has not been halted, we must all have a sober mind in guarding against excessive credit which would upset the credit balance. The state is now working out its credit plans, and the contradiction between the demand for and the supply of funds is fairly serious. Under such conditions, we must be particularly careful in preventing the practice of increasing currency issuance as a means of enlarging the investment scale. In granting loans, we must firmly adhere to the principle of keeping our expenditures within the limits of our income and practise the system of dual control by credit plans and investment plans. In the grant of loans, we must bear in mind the overall situation and choose those projects which support the development of the energy, transportation, raw and semifinished materials and other basic industries as well as the readjustment of the production structure. We must be sure that the loans for renovation and transformation are truly used on the updating of equipment, the development of new products, and export of products for foreign exchange, and of the diversion of funds from renovation and transformation to the expansion of the capital construction scale.

## II. Pay Close Attention to the Management and Supervision of Construction Funds, Improve the Investment Returns

In capital construction, the present phenomena of long construction periods, high construction costs and poor investment returns have not been fundamentally changed. One of the important tasks in 1986 is to strengthen the management and supervision to improve investment returns. In improving investment returns, the Construction Bank, in my opinion, should carefully attend to its work in both finance and credit handling.

In finance, it must fully exercise its functions of financial management and supervision over the use of construction funds throughout the entire process from the determination of projects and the beginning of construction to the completion of work and the acceptance check. Although the Construction Bank is now managed as an enterprises, the method of its supervision over the use of construction funds, which is an important function authorized by the

state, has not been changed. The budgetary investment and the local investment in fixed assets that are managed by the Construction Bank amount to more than 70 billion yuan each year, and these funds, if used wisely, can do a great deal to improve the investment returns. One of the important causes of poor investment returns for many years is the wrong decisions in favor of those projects for which conditions were not ripe. The result was not only waste of money but also hindrance to production. To solve this problem, the state has decided to attach more importance to the feasibility study and economic evaluation of construction projects. Hereafter, all large and medium-size projects must be evaluated by specialized consultation companies before their inclusion in the plans, and, if possible, the same procedure should be followed in examining and approving even small projects. An important part of the Construction Bank's work is to evaluate the projects. If the geographic distribution of projects is obviously irrational, the conditions are not ripe for construction, and the benefits to the society and the enterprises themselves are negligible when the projects are completed and put into operation, the bank must promptly report them to the departments concerned or even to the State Council. It must have the courage to uphold principles and to uncover contradictions and problems. Failure to make timely reports means a dereliction of duty, and reporting on the situation means the fulfillment of part of its duties.

We must strengthen the financial management of the units for whom the projects are built and of the building enterprises. This requirement must be emphasized particularly during the economic structural reform. Of course, strengthening the management does not mean overly rigid control. On the other hand, we should let the enterprises make full use of their own initiative provided the state's policies, decrees and rules and regulations are followed. You all are experienced and have done good work in financial management. According to statistics, in 1985, through the examination of budgets and final accounts of construction projects, counter checks, and on-the-spot inspections, the Construction Bank stopped the payment of more than 3 billion yuan for various unjustifiable expenditures. This was a great achievement. The general financial and taxation check-up conducted in 1985 revealed not only many instances of law violations, but also certain weak links in the system of our financial management. In 1986, the Construction Bank must increase its efforts in strengthening the financial management, exercising strict financial supervision, and strictly enforcing financial and economic disciplines. It must boldly deal with any disruption of the state's financial and economic systems with a sense of responsibility to not only the state, but also the cadres. The Construction Bank must exercise great care in the examination and approval of financial plans and final financial accounts and in supervising payments, and resolutely stop any disruption of the state's financial and economic systems. It must also assist the departments in charge in deciding on financial plans, tapping the potential of funds, preventing over-stocking and waste, and managing and using funds efficiently.

The management of construction funds should be focused on the control of the state's key construction projects. The success or failure of these projects has a bearing on the development of the national economy in the 1990's, and on the major issue of an economic takeoff. Because this point is clearly

understood by everyone, I will not dwell on it. In the Construction Bank conference held in 1984, I mentioned that the bank's work should be focused on the key construction projects, and that the quality of management in these key projects should serve as the criterion for the evaluation of the bank's performance. I should still continue to stress this point. In the past 2 years, the Construction Bank in various localities has done a great deal of solid work in the management of key projects as shown by the establishment of many new and adequately staffed agencies. All the bank's cadres and workers engaged in these key projects have worked throughout the year in worksites where living conditions are fairly harsh. They were not afraid of the difficulties and continued to work diligently, giving no thought to their personal comfort or discomfort. They have produced very good results in expediting the work, reducing the investment, and raising the level of their management. I hope everyone will redouble their efforts to further improve the management of the state's investment in key projects and thereby improve all their investment returns.

In handling credit, we must strengthen the control over loans and choose projects carefully to ensure these loans will produce good economic results. In the past several years, the Construction Bank's loan service has developed very rapidly. In 1985, aside from those extended in line with certain financial policies, the loans granted by the bank out of the savings deposits totaled more than 10 billion yuan. The state planned to raise 50 billion yuan during the Seventh 5-Year Plan period, averaging 10 billion yuan each year, through bank loans for capital construction, and the major share will be borne by the Construction Bank. Therefore, comrades of the bank must carefully study and handle the matter of expenditures to be certain that loans will produce good economic results. In the course of discussions, it was revealed that the Construction Bank lacked decisionmaking power in granting loans. This matter has already received the attention of the central leading comrades and the problem will be solved gradually, although a complete solution will take some time. Banks must have their decisionmaking power in granting loans, but, more important still, they must use this power properly. They must adhere to the correct orientation of loans, choose projects carefully, and enable the loans to produce good results. The important part of the bank's work in granting loans is, first, to have an accurate evaluation of the projects on which the loans will be used. Before granting loans in the future, we must first conduct an evaluation and have both the technical and the economic confirmation before including the projects in the state plans. If the evaluation shows that the economic results will be unsatisfactory and that it will take too long for the redemption of any loan, the application for loans can be rejected. Second, we must improve the system of examining and approving loan applications as well as the system of responsibility so that responsibilities and duties are all clearly spelled out. If these two jobs are properly handled, I believe the Construction Bank's level of credit management will be greatly raised.

Having pointed out the need to strengthen the management of funds with regard to both finance and credit, I now take the opportunity to talk about the Construction Bank's functions. According to the actual situation of investment management in China, the Construction Bank has the dual function of handling both government and bank funds. This dual function is decided by the

different natures of government funds and bank funds, both being under the charge of the Construction Bank. In taking charge of government funds, it is responsible for the allocation of funds for geological surveys and other undertakings, and for the financial budgets and final accounts of the units, for whom the projects are built, and the building enterprises, beside paying tens of billions of yuan for capital construction each year. It also has to exercise some of the rights of examining and approving budgets and final accounts on behalf of the financial departments. This was the way the bank operated in the past several decades; it is the same now and will remain the same in the future. Hereafter, if the local financial departments need funds for capital construction, renovation or transformation, they should entrust the handling of funds to the Construction Bank. Both parties should cooperate closely and support each other so that they can jointly manage and use the funds to good advantage. In the past several years, besides handling government funds, the bank has also developed banking activities by taking deposits and extending loans. With credit funds at its disposal, it was able to exercise its banking functions through efficient management of these funds. On the whole, the Construction Bank must manage both the government and the credit funds well and make full use of its dual function without neglecting either of them. As for the question of leadership over the Construction Bank, Document No 4 (1983) of the State Council's Staff Office has clearly stipulated that the Construction Bank is under the dual leadership of the Ministry of Finance and the People's Bank of China, with the former in a higher position; that in financial matters, it should accept the leadership of the Ministry of Finance; and that in banking matters, it should accept the leadership of the People's Bank of China. Of course, this affiliation applies only to the bank's head office, because its local branches are on the same level with the local financial bureaus and the local branches of the People's Bank of China and should maintain close relationships with them in business matters.

### III. Continue To Do a Good Job in Reforming the System of Financial Management over Capital Construction Funds

The purpose of the reform in the system of financial management over capital construction funds is to invigorate enterprises and to improve investment returns. Over the past several years, the reforms in the construction industry and in the capital construction management system were ahead of others in the economic structural reform program for cities. We have gained some experiences from these reforms and achieved certain success. In 1986, the main tasks for us is to "consolidate, assimilate, supplement, and improve" the reform program and to promote what is beneficial and eliminate what is harmful to pave the way for the second step in the reform. For capital construction investment, the replacement of state allocations with bank loans is an important aspect of the reform in the capital construction management system. Experiments in the reform are still being continued. Because the supportive measures in certain quarters cannot keep pace with its progress, the reform may not be able to play its full role. However, for many projects with good economic results, the substitution of bank loans, which must be redeemed, for state allocations, which need not be repaid, is a big step forward in the right direction. Practice in the past several years has proved this point. Of course the merits of this reform must be assessed



in a realistic way. When external conditions are not yet ready, the merits should not be over-estimated. The reform may play an increasingly important role when the external conditions are ready. At present, we should firmly adhere to the reform's orientation and yet squarely face the problems emerging in the course of the reform. We must study the new developments, solve the new problems and gradually bring about perfection. In the course of an all-round adoption of the system of substituting bank loans for state allocations in 1985, 95 percent of the state's budgetary allocations were replaced by bank loans, and the reform was accelerated. However, some new problems cropped up in the process. In 1986, therefore, we readjusted the scope of the substitution and kept it at 70 percent. This is a realistic approach. In the future, we must be sure that for the loan which are now used to finance construction projects, loan agreements must be signed and faithfully observed. We must also carefully watch those projects which are still financed by state allocations, and be sure that such allocations are replaced by loans, as soon as these projects are eligible for credit. At the same time, we should help the construction units practise the system of responsibility for investment so that the reforms through the substitution of loans for state allocations and the practice of system of responsibility for investment can be organically combined. We must make an effort to encourage the construction industry to adopt and consolidate the systems of public bidding and contract responsibility, to improve their management methods, and to operate in strict accordance with the regulations. The contracting units deserving some benefits should be rewarded.

#### IV. Develop Socialist Spiritual Civilization, Strive To Bring about a Fundamentally Better Work Style for the Party and the Bank

After the CPC National Conference held in September 1985, the secretariat of the CPC Central Committee worked out specific plans for further developing spiritual civilization and rectifying the party's work style. In December, the Central Committee also issued Document No 57, pointing out specifically the need to rectify the party's work style and to check the unhealthy trend. At the same time, some leading comrades of the Central Committee made a series of important speeches and expressed their views on the same subject. In January 1986, the secretariat of the Central Committee again held in Beijing a conference of cadres of central organs, and called on all party members and cadres of the central party, government and military organs to set good examples for the whole country in the rectification the party's work style and to strive for a fundamental improvement of the party and social conduct.

The Construction Bank's tasks are now very complex and arduous, but its foremost task is to promote the development of spiritual civilization, to rectify the party's work style, to check unhealthy trends, and to combat certain undesirable elements in our ranks, in accordance with the central committee's plans and requirements. This is the way to ensure the smooth accomplishment of various tasks. In 1985, the Construction Bank discovered and stopped certain unhealthy tendencies including the grant of loans for selfish motives, tax evasion, withholding the profits which should be turned over to the state, and laxity in discipline, thus educating all the cadres and workers and improving the work style of the party and the bank. Its work was well done and the action it took was timely and serious. As we can see

from the result of the general financial and credit check-up, the cadres of the Construction Bank are mostly good, and their work style is above reproach. However, there are still unhealthy tendencies among some units and cadres, and some of them are very serious or even criminal in nature, calling for disciplinary action from the party or persecution under state law. It must be solemnly pointed out that unhealthy tendencies not only corrupt some cadres, but also jeopardize the party's prestige among the people and impair the bank's image and reputation. In stopping unhealthy tendencies in the party, we must be resolute in purpose and firm in action. There cannot be any hesitation or relaxation of efforts.

It must be emphasized that the rectification of the party's work style must start with the leading organs and the leading cadres. In the Construction Bank, it must start with its head office. When the work style of these leading organs and leading cadres has been rectified, it will be easier to solve the existing problems, because they can really assert themselves and people will listen to what they say. They will set good examples and exert a tremendous influence on the whole bank. The leading banks and leading cadres at various levels must examine themselves in light of the six questions raised in Document 57 of the State Council's Staff Office, and the problems pointed out in the recent speeches made by leading comrades of the Central Committee. They must eliminate the bureaucraticism of failing to delve into realities, to investigate and study, or to stress efficiency; the small-group mentality of misappropriating state property for use by individual units in disregard of the overall interests; the individualism of "thinking of everything in terms of money" and abusing authority for private gains; and the liberalism of lacking the sense of organization and discipline and condoning unhealthy tendencies. They must get rid of their own defects and join the broad masses to fulfill the arduous tasks in the economic reform and in the development of the two civilizations.

We must have the determination, confidence and perseverance in stopping unhealthy tendencies in order that the problems can be truly solved. Some cases may involve persons with rather complicated backgrounds, and we may encounter difficulties or resistance in the course of our investigation and discipline enforcement. However, as long as we are resolute in our purpose and have the courage to defy difficulties, the problems can be solved eventually. Any violation of law must be severely dealt with, because punishment is also indispensable as a form of education. In dealing with such problems, we must carefully implement the party's policies and be sure that certain unavoidable mistakes committed in the course of the reform must not be misconstrued as "abuse of authority for private gains." We must also preserve the cadres' enthusiasm in the reform and at the same guard against any attempt to protect unhealthy tendencies under the guise of reform. Any problem involving the personal interests of the broad masses must be handled with extra care. In dealing with the cadres with problems of a general nature, we must stress ideological education. If they have already examined themselves and corrected their mistakes, we must not continue to embarrass them. Some persons with really serious problems must be punished according to the nature of problems and the severity of the case. They should be either disciplined or prosecuted on the merits of each case, and we must never have any compassion on them.

In rectifying the party's work style and stopping unhealthy tendencies, we must improve and strengthen our political-ideological work, educate the workers in high ideals, discipline and ethics, give full publicity to the advanced models, and inculcate the spirit of serving the people wholeheartedly and developing socialist spiritual civilization. At the same time, we must set up and perfect various rules and regulations, plug the loopholes in management and thus solve the problem of having no rules to go by or failing to abide by the established rules.

The several points I have brought up are for the comrades' reference. After the conclusion of the meeting, we should all carry out the tasks set in the meeting and translate its guiding thought into action according to the actual local conditions. I believe that with the comrades' efforts, we will achieve even greater success in 1986.

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CSO: 4006/1084

## FINANCE AND BANKING

### PAPER CITES LIAOWANG REPORT ON FOREIGN EXCHANGE REFORM

HK200431 Hong Kong WEN WEI in Chinese 20 Sep 86 p 2

[Report: "LIAOWANG Reveals Financial Reform Trends"]

[Text] Following the development of China's economic structural reform, monetary system reform has been put on the agenda the LIAOWANG OVERSEAS EDITION, which will be published on Monday, reveals that an orderly method has been formulated with regard to foreign exchange system reform, an important link in monetary system reform which will be instituted next year and the year after. This orderly method is to enliven foreign exchange regulation, to open wider the foreign exchange market, to set up a foreign exchange reserve fund, and to strengthen foreign debt management. This weekly carries a special report on this problem.

The weekly discloses this latest news; By mid July this year, China's income from foreign exchange increased by 16.1 percent over the same period of last year and its expenditure dropped by 5.2 percent. The situation in foreign exchange payments improved in spite of an unfavorable balance of foreign trade.

This authoritative weekly reports: The various problems in the existing foreign exchange system such as the Renminbi being unexchangeable, have hampered the opening of a foreign exchange market. However, economic development over the last two years has strongly demanded the opening of a foreign exchange market. The Chinese authorities are considering carrying out a foreign exchange system reform, with a "double system" of planned management and a market mechanism as its main component. The reform will focus on invigorating foreign exchange regulation (note: what is meant is foreign exchange transactions at negotiated prices between enterprises), regulating exchange rates, working out an international payments plan, and improving the system of retention of foreign exchange earnings. Some of these measures have been gradually put into effect. For example, China began to run a foreign exchange regulatory business from October 1980, and the country has regulated foreign exchange totaling US\$6 billion over the past five years. In February this year, the People's Bank of China drew up a new foreign exchange regulatory method to raise regulatory prices. Over the past few months, foreign exchange regulatory business has been in the ascendancy throughout the country. The Renminbi, which was valued a little too high, has been regulated



closer to a rational level through lowering its exchange rate with foreign currencies.

It is being considered that China's foreign exchange reform will cover the percentage of retention by localities of foreign exchange earnings, foreign exchange facilities for joint ventures, and, if possible, individual participation in foreign exchange regulation.

The report reveals that after opening a foreign exchange regulatory market, China will set up a foreign exchange equilibrium fund in which the central bank will intervene when major changes take place in exchange rates.

The report adds: China is preparing to establish a foreign exchange reserve fund which will serve as a reserve asset in coping with international payments under special circumstances. In foreign debt management, the state decided in April this year that the State Foreign Exchange Administration of the People's Bank of China will exercise unified management over foreign debt departments throughout the country. The task of the administration is to obtain information on the country's foreign exchange and foreign debts promptly, accurately, and in an all-round way, to reflect and make suggestions to the central and local departments concerned, and to exercise supervision over the work concerning foreign debts.

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CSO: 4006/011

## FINANCE AND BANKING

### BRIEFS

**MONETARY REFORM EXPERIMENTS**--Beijing, 24 September (ZHONGGUO XINWEN SHE)--The Chinese department concerned has decided to increase the number of cities carrying out monetary structural reform experiments from 5 to 12. This is an important measure China has taken to speed up its monetary structural reform. The original five cities are Guangzhou, Chongqing, Wuhan, Shenyang, and Changzhou. The seven cities in addition to these are Wenzhou, Suzhou, Wuxi, Dalian, Dandong, Ningbo, and Nanjing. These 12 cities will carry out explorations on improving macromonetary control, forming a capital market, and running banks as enterprises. Six of the twelve cities are in the Shanghai economic zone. They are Guangzhou, Wenzhou, Suzhou, Wuxi, Ningbo, and Nanjing. Chairmen of 25 banks of the Shanghai economic zone held a joint conference not long ago and decided to form a short-term monetary market with bill discounts and interbank loans as its main components, and a [word indistinct] stock exchange market with the distribution and transfer of shares and bonds as its main component. As of 1 September, the fund management rights of the Shanghai branch of the People's Bank of China have been expanded. [Report: "The Number of Cities in China Carrying out Monetary Structural Reform Experiments Has Increased to 12"] [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 0654 GMT 24 Sep 86 HK] /12913

**CHEN MUHUA SPEAKS IN XIAN**--According to XIAN WANBAO, Chen Muhua, President of the People's Bank of China, inspected the Xian People's Bank on 20 September. In her remarks, she pointed out many times that the work of the banks must meet the demands of reform. The banks must become levers for regulating the economy, and establish the concept of economic results. [Text] [Xian Shaanxi Provincial Service in Mandarin 0200 GMT 24 Sep 86 HK] /12913

CSO: 4006/011

## MINERAL RESOURCES

### BRIEFS

MINING INDUSTRY DEVELOPS RAPIDLY--Collective village and town mining enterprises have developed rapidly in Zhejiang Province in recent years, taking full advantage of the province's rich mineral resources. In 1985, the collective village and town mining enterprises and individual mining businesses in our province totaled more than 2,900. They employed 140,000 people and had a combined output value of 450 million yuan. This contributes to the province's economic prosperity as well as speeds up the hilly areas' pace to become rich. However, there is not yet a perfect legal system governing the exploitation, utilization, and protection of mineral resources. The management structure and system are also imperfect. As a result, the mining business is in a disorderly manner, including indiscriminate digging and mining, vying with state mines for mineral resources, serious environmental pollution, and a rising number of accidents. [Excerpt] [Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 2 Sep 86 OW] /12913

XINJIANG GOLD PRODUCTION--Beijing, 6 September (XINHUA)--Gold production in the Xinjiang Uygur Autonomous Region in northwest China increased 35.6 percent in the first half of the year over the same period in 1985. The Chinese Government does not report amounts of gold production. A major source of China's gold, 56 of the 86 cities and counties in Xinjiang are rich in gold reserves, and more than 10,000 people work in its gold mining industry. [Text] [Beijing XINHUA in English 1427 GMT 6 Sep 86 OW] /12913

CSO: 4020/003

## INDUSTRY

### PAPER REPORTS ON NEW PRODUCTS IN NATION'S AUTOMOTIVE INDUSTRY

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 14 May 86 p 3

[Article by Zhong Boyuan [6988 0130 0337]: "Achievements in Automotive Industry in Development of New Products"]

[Text] In recent years, China's automotive industry has developed more than 20 types of basically new and remodeled vehicles and 200 types of special vehicles, all of which have been duly appraised. Now, China can produce trucks, cross-country vehicles, dumpers, tractors, buses, and sedans, totaling more than 50 types in 6 categories. Among the specially remodeled vehicles are those for commercial use, for environmental sanitation and protection, for medical and public health services, for agriculture, animal husbandry, sideline occupations, fishery and forestry, and for airports, totaling more than 300 types in 10 categories.

The outstanding new products developed in China are the 5-ton "Jiefang" truck, Model CA141, produced by The First Automobile Works; the 10-ton "Huang He" truck, Model JN162, produced by Jinan Automobile Plant; and the 3-ton "Yuejin" truck, Model NJ131, produced by Nanjing Automobile Plant. These products have already been appraised by and registered with the state, and will enter the market within this year and next year. It means that the "Jiefang," "Huang He" and "Yuejin" trucks, which were the earliest vehicles, produced in the largest quantities, and most widely used, will be completely updated, and that the chapter of "remaining unchanged for decades" has ended in the history of China's automotive industry.

These new products have the following special features: First, a fairly complete line of models. Among the new products are basic model trucks, large and medium-size buses, and various remodeled vehicles for special uses. They have changed China's irrational product mix from the lack of heavy-duty models and the scarcity of light models in the automotive industry. Second, improvement in various technical and economic indicators and in performance. Fuel consumption per ton/100 km has been greatly reduced, and the speed and the load utilization coefficient increased. For example, the fuel consumption per ton/100 km of the new "Jiefang" Model CA141 is 26 percent less than that of the old model, and the average cruising speed is 20-30 percent higher. In the new models, the appearance, field of vision, comfort, and maneuverability have

all been greatly improved. Third, the breakthrough in the structural design. The designs of passenger buses produced in Wuxi and Wuhan are now of a higher standard with the engine compartment located in the rear portion. In developing and appraising the designs of the ordinary trucks, considerations have been given to variety of models, serialization, interchangeability, and standardization, so that in future, they can be further developed in various models of different load capacities and wheelbases, with a flat head or a long head, and for either gasoline or diesel engines. They can also be developed into various types of special vehicles.

In the past several years, the automotive trade has also imported many foreign technologies of the late 1970's or the early 1980's for designing and manufacturing vehicles. This is of great significance to the updating of our automotive products and the raising of our technological level. Technologies have been imported for manufacturing the following vehicles: Suzuki's microbus of Japan, Fiat's Iveco of Italy, Peugeot's light model vehicle of France, and the heavy-duty trucks of Steyr-Daimler-Puch AG of Austria, all in five series, in addition to the jeeps of the U.S., the limousines of West Germany, and the mining vehicles of Aweilin [phonetic] and Weibu [phonetic]. The automotive trade has also imported technologies of assembling and for producing spareparts and accessories.

Through self-reliance and on the basis of trial-manufacture, developing and importing various new models together with their spare parts and accessories, the updating and upgrading products is now in high gear in China's automotive industry.

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CSO: 4006/1065

## INDUSTRY

### LATERAL TIES CONTRIBUTE TO LIAONING'S INDUSTRIAL DEVELOPMENT

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 28 Apr 86 p 3

[Article by Zhou Baohua [0719 0202 5478]: "Remarkable Changes in Liaoning's Industry; Vitality of Old Industrial Bases Increased through Lateral Relations"]

[Text] Active promotion of lateral economic relations in Liaoning has brought new vitality to the old industrial bases.

To change its economic structure, Liaoning Province has since 1984 energetically developed lateral economic relations through different channels, in different forms and at different levels in an effort to make full use of its old industrial bases. By now, the province has formed economic and technical relations and signed 5,293 agreements with 27 provinces, municipalities and autonomous regions in the country. According to statistics, the completed cooperative projects have increased its industrial output value by nearly 1.4 billion yuan and yielded 230 million yuan in taxes on profits.

The continued consolidation and development of lateral economic relations have brought about these marked changes in Liaoning's industry:

---The reorganization, association and specialized cooperation of enterprises. Many enterprises have broken down the barriers between different administrative regions and departments as well as the enterprises' blockades and formed groups for specialized cooperation in the best possible way. In the province, there are now 108 multiregional and multitrade enterprise groups formed for the development of quality products, with nearly 1,000 enterprises participating. According to the statistics of only some 200 enterprises, the enterprise groups formed last year have increased their output value by 950 million yuan and their taxes on profits by 140 million yuan. Now, some enterprises have developed from a "chain" producing single-line products into enterprise groups producing complete sets of equipment and able to provide complete systems of technologies. The competitive power of their products has been greatly increased.

---A reasonable economic structure and industrial layout in the province. In Liaoning, the economic structure of most cities consisted of mainly heavy industry, and light industry is very weak. The development of lateral economic relations has helped increase light industrial production. Fuxin, known as the "city of coal and electricity," has established relations with other localities in and outside the province for economic and technical cooperation in various forms, and developed its textile, paper-making, electronic industries in addition to the production of chemicals for daily use. Last year, its light industrial output value for the first time exceeded 20 million yuan. Some other cities in Liaoning developed compensatory trade or joint ventures with the areas producing fur, leather and hemp in northwestern and northern China and thus opened many channels for the supply of raw materials. Last year, the light industrial output value of the province accounted for 34.5 percent of its gross value of industrial output. The conditions of the market for its light industrial products, always with few varieties and designs and short of supplies, are now changed.

---Acceleration of technical transformation and product updating through the tapping of enterprise potential. In Shenyang, 23 enterprise groups, formed for the development of fine-quality products, have brought into use a workforce of 200,000 persons, 89 sets of large and medium-size equipment, and 10,000 square meters of factory space, all of which may otherwise have been left idle. These resources can now create an output value of 480 million yuan each year. Through these relations, the metallurgical, machine-building, chemical and construction materials trades have also obtained funds from external sources through short-term loans, and thereby accelerated the technical transformation of the old enterprises. Up to now, the province has brought in 770 million yuan. Many large and medium-size enterprises in the province have developed new products through licensed trade, joint production and joint ventures.

---Creating favorable conditions for the establishment of long-term and stable multiregional raw material bases.

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## INDUSTRY

### SHANGHAI BAOSHAN STEELWORKS REPORTED OPERATING SMOOTHLY

OW151755 Beijing XINHUA in English 1512 GMT 15 Sep 86

[Text] Shanghai, September 15 (XINHUA)--The Baoshan steelworks, China's largest industrial project with machinery imported from abroad, has been operating smoothly since trial operation began September 15 last year.

As of today, said Deputy Director of the steelworks Wang Peizhou, the complex has turned out 2.34 million tons of iron, 2 million tons of steel ingots, and 1.69 million tons of steel billets.

Meanwhile, he said, the workers and technicians have mastered and developed 160 items of new technology, which helped raise production and technological level.

"The Chinese workers have taken over the operation and management of the imported equipment of its first-phase project now, and production has been increasing every month," said Wang.

It is not common at home and abroad for a big and advanced steelworks like Baoshan to be put into operation in such a short time and maintain steady progress, he said.

Standardized operation has been intensified on its No 1 blast furnace, China's biggest, which plays a decisive role in the production of the steelworks. During the last overhaul period between August 10 and September 9, it kept its daily output at 8,263 tons, with its utilization coefficient at 2.033.

Key task teams in the complex have made many breakthroughs in the process of digesting imported technology. Of the 75 items of technological achievements many have been put to use by other steelworks in the country.

In management, the complex has made efforts in integrating foreign experience with its own conditions. Its standardized operation, regular equipment overhauls and the ways to bring the workers' initiative into play have aroused interest among other steelworks.

As an immediate goal, the complex is expected to reach its designed capacity in all fields by the end of December, the deputy director said.

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CSO: 4020/2

## SMALL-SCALE ENTERPRISES

### PEASANT SALESMEN'S ROLE IN COMMODITY PRODUCTION

OW130146 Beijing XINHUA in English 0134 GMT 13 Sep 86

[Text] Hangzhou, Sep 13 (XINHUA)--Individual initiative and redistribution of raw materials have greatly increased the rural commodity economy in Wenzhou City in east China's Zhejiang Province.

Some 100,000 peasant salesmen supply raw materials to 130,000 family-run household enterprises producing small household items such as buttons, hair pins, textile products and business cards, which accounted for one-third of the city's industrial output last year.

Household industry in rural Wenzhou has been so successful that economists regard it as a way--the "Wenzhou model" as they call it--leading peasants to prosperity.

"These salesmen have played a decisive role in promoting the development of the economy in the area," said Lu Shengliang, the mayor of the city.

Their efforts have helped the scattered, small-scale household enterprises overcome limitations, he added.

The salesmen, many former craftsmen who have travelled extensively, also spread market information and help run 415 peasant markets and 66,800 shops and stands in an area covering 11,000 square kilometers.

"Owing to their help, my workshop can exist and develop," said an owner in the Yishan District, a famous production base for regenerated textile products, where more than 20,000 family workshops annually turn out products valued at more than 100 million yuan (27 million U.S. dollars).

The salesmen buy tons of scraps and raw materials for the workshops, from chemical fiber plants and garment factories in 28 provinces, municipalities, and autonomous regions each year and sell the products to workshops all over China, especially to remote and mountainous areas in northwest and southwest China.

"The peasant salesmen have actually formed a non-governmental economic circulation network," said noted sociologist Fei Xiaotong after a visit to Wenzhou. "It is an all-pervasive network bridging the producers and consumers."

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## SMALL-SCALE ENTERPRISES

### GUANGXI REGULATIONS ON TOWNSHIP ENTERPRISES

HK160105 Nanning Guangxi Regional Service in Mandarin 1000 GMT 8 Sep 86

[Excerpts] On 30 August, the regional party committee and regional people's government formulated regulations on developing township enterprises. The regulations demand that all places unify their understanding, correctly handle the relationship between the management of township enterprises by corresponding departments in charge and strengthen guidance by administrative departments, further define the scope of the management of township enterprises, and give preferential tax treatment.

The regulations points out that it is necessary to further define the scope of the management of township enterprises. In the industrial and commercial administration of township enterprises, township enterprise management departments are to be responsible for the inspection and approval of the operation of township enterprises. In coordination with environmental protection departments, county township enterprise management departments must inspect the work of environmental protection. Industrial and commercial administrative departments must be responsible for examining and determining the nature of enterprises, issue business certificates, and protect lawful operations, rights, and interests. They can receive certificate and registration fees and market stall fees in accordance with regulations.

In the management of the county, township, and village construction trade, township construction enterprises are to be managed by corresponding township enterprise management departments. Urban and rural construction departments must be responsible for giving guidance on aspects of rural construction enterprises' construction, quality control, safety in production, and technological training.

In rural collective and individual mining, township enterprise management departments at all levels must carry out organization and management. Units or individuals who engage in extraction must submit reports to county or city township enterprise management departments for the latter's views. County mineral product management departments will issue mining permits to them. It is necessary to do well in procuring and selling mineral products. Gold and silver under the state monopoly control must be procured by the units specified by the state. Crystal and tin under the region's monopoly control and mineral products to be procured by the state must be procured, transported, and sold by mineral product companies, people's mineral stations,

and township enterprises' supply and marketing departments. No units and individuals are allowed to carry out this business without approval.

In collecting township enterprise management fees, the management fees of the enterprises including rural individual industrial and commercial enterprises, construction enterprises, and mining enterprises, which are under the control by township enterprise management departments, are to be collected by township enterprise management departments. The majority of the management fees must be retained by townships and counties as management and service charges. No other departments and units shall collect management fees from township enterprises. People's governments at all levels must seriously investigate and curb the indiscriminate collection of fees from township enterprises.

The regulations put forward the issue giving preferential tax treatment to township enterprises. Effective from the date of their operation, all new township and village collective industrial enterprises are exempt from income taxes for three years and those which provide labor are exempt from business taxes for three years. After the expiry of this period, those which still encounter difficulties in paying taxes can submit reports to tax departments for a reduction or remission of income taxes for one to two years. The regulations on exemption from taxes are also applicable in township and village collective industrial enterprises which incurred losses before 1985 and which have shifted to other types of production with approval.

The taxes of the above-mentioned township collective industrial enterprises which are reduced or remitted must in principle be returned to the enterprises by township enterprise offices to develop production and are not allowed to be distributed among individuals or to be appropriated for other purposes. The fixed assets purchased by township enterprises with the taxes reduced or remitted by the state must be used by township enterprises, are owned by township authorities, and cannot be sold off by enterprises at will.

Township and village collective enterprises must generally implement the system of the contract [words indistinct] ability with payment linked to output and the [word indistinct]. Piece work wage without [word indistinct] for labor protection and welfare work. A bonus tax is not temporarily levied.

The advertisement fees of township and village collective enterprises to promote the sale of their new products and their expenses used to exchange information and to hold exhibitions and fairs can be included in their costs. Regarding the expenses used by enterprises to promote sales, 3 per thousand to 5 per thousand of the income from sales can be included in their costs.

The regulations stress that it is necessary to pay attention to the protection of the legitimate rights and interests of township enterprises. The regulations on the distribution of the income of township and village collective enterprises are: the rate of depreciation of the fixed assets is 10 percent of the original value; funds for education, 1.5 percent of the total amount of wages; and welfare funds 11 percent of the total amount of wages; and management fees must be paid according to county regulations. The foregoing four kinds of expenses are included in the costs for the same year. In addition, township and village enterprises must pay township authorities 10

percent of their profits before paying taxes and this money is to be used to support agriculture, to help the poor, and to do rural welfare work. No departments and units are allowed to indiscriminately apportion expenses and collect fees. It is imperative to respect township enterprises' decision making power in production, operation, and distribution. Banks must support township enterprises by issuing them loans. Proceeding from the overall situation, all departments must support, guide, and help township enterprises to speed up development in the aspects of capital, materials, technology, qualified personnel, information, supply, marketing, and transport. All places must also pay attention to putting township enterprise management organs at all levels on a sound basis.

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CSO: 4006/006

## SMALL-SCALE ENTERPRISES

### BRIEFS

SHAANXI TOWNSHIP, TOWN ENTERPRISES--The total income of the township and town enterprises of Shaanxi Province in the first half of this year was nearly 50 percent more than in the same period last year. The township and town enterprises of the province now have 1.78 million workers, accounting for 17 percent of the total labor force in the rural areas. Departments concerned have decided to set up 100 demonstration enterprises throughout the province in the near future to stimulate the continuous development of township and town enterprises. The province plans to transfer some 1.2 million agricultural laborers to township and town enterprises in five years. By the end of the Seventh 5-Year Plan period, according to the plan the number of the workers in the township and town enterprises in the whole province will increase to 3 million, which will account for 24 percent of the total labor force in the rural areas. The total income of the township and town enterprises will increase to 10 billion yuan, an increase of 100 percent over the last year of the Sixth 5-Year Plan period. [Summary] [Xian Shaanxi Provincial Service in Mandarin 0030 GMT 16 Sep 86 HK] /12913

CSO: 4006/006



## CONSTRUCTION

### BAOJI-ZHONGWEI RAILWAY TO BE CONSTRUCTED

Chengde JINGJI XIAOXI in Chinese 22 Apr 85 p 5

[Article: "Baozhong Railway Will Be Built as Joint State-Local Venture"]

[Text] The construction of a new railway trunk line traversing Shaanxi, Gansu and Ningxia and joining Baoji and Zhongwei has been formally approved by the State Council recently. This railway will be built as a joint venture of the state and the localities.

At present, from inland to the northwestern region, there is only the Baotou-Lanzhou Railway which also transports coal out of Ningxia and Nei Monggol. Its transport capacity is now severely strained. The materials to be transported in and out of the Northwest mainly rely on the Longhai Railway. Although the section between Baoji and Lanzhou of this railway has been electrified, and its traffic capacity has reached 12 million tons, the roadbed conditions between Baoji and Tianshui are very poor and the western portion is subjected to flood and landslides causing frequent interruptions. Therefore, a new railway is urgently needed to increase the traffic capacity and the capacity of mechanized transportation. In May 1984, the people's governments of Gansu, Ningxia, Qinghai and Xinjiang jointly submitted a proposal for the Baozhong Railway to be built.

The Baozhong Railway will begin at Guozhen Station of the Longhai line at Baoji. After passing through Qianyang and Longxian in Shaanxi, Ankou and Pingliang in Gansu, and Guyuan, Tongxin in Ningxia, and crossing the Huang He, it will join the Baotou-Lanzhou Railway at Luozhenbao Station and terminate at Yingshui Station. Its total length will be 510 km. It is connected with the Longhai Railway in the south and with the Baotou-Lanzhou, Gantang-Wuwei, and Lanzhou-Xinjiang railways in the north. It will become China's new thoroughfare to the northwestern region.

The construction of this railway will improve China's railway layout in the northwestern region and provide a shortcut to Sichuan from this region. It is especially significant in accelerating the developing the coal resources in Huating and ending the backwardness of the Xiji-Haiyuan area in Ningxia.

The Baozhong Railway will be a grade-one trunk line with an annual traffic capacity of 15 million tons. It will be built section by section, beginning with the Baoji-Ankou section of 135 km. One-third of the required investment will be borne by Gansu, and the rest will be shared by the other provinces along the railway. Construction will start in the near future.

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## CONSTRUCTION

### WORK STARTS ON BEIJING UNIT-PURCHASE RESIDENCES

OW151805 Beijing XINHUA in English 1630 GMT 15 Sep 86

[Text] Beijing, September 15 (XINHUA)--Work started today on Beijing's largest residential quarter, to be built with funds from future residents.

Situated in the southeastern part of Beijing, near the Temple of Heaven, the Fangzhuang complex will provide apartments for 21,000 families after completion in 1992.

"This is an experiment for the new construction system reforms," said Zhang Heng, deputy manager of the Beijing construction company in charge of the project. She said that her company would collect construction funds through various means and welcome investors at home and abroad to join in the project.

Unlike residences constructed with state funds and given to government employees as a kind of welfare, with the rent collected only covering maintenance costs, all apartments and part of public facilities of the project will be sold to individuals. People will have to pay for infrastructure facilities such as road, water, and sewer.

But the official did not say how the apartments would be sold and how much a typical apartment would cost.

Each building will be equipped with telephone service and the apartments with a floor space between 66 square meters and 108 square meters each will be divided into three grades.

There are telephones, air conditioners, and close-circuit television in high-grade apartments.

This is the largest and multi-functional residential district in Beijing equipped with office buildings, hotels, and commercial, cultural, medical, and sports centers as well as parking lots for bicycles, motorcycles, and motor vehicles, according to the official.

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CSO: 4020/2

## FOREIGN TRADE AND INVESTMENT

### PAPER VIEWS GATT MEMBERSHIP APPLICATION, PARTICIPATION

Hong Kong WEN WEI PO in Chinese 15 Jul 86 p 12

[Editorial: "China's Participation in GATT May Boost World Trade"]

[Text] China already applied last week for the resumption of an official seat in the "General Agreement on Tariffs and Trade." In the application China clearly states that it wishes to join the organization under the status as a "developing country" not as a "planned central economy" because the significance of the two different statuses are very different in reality. The first difference is the degree of preferential treatment. By acquiring the status of "developing country" China will be automatically accorded the most-favored-nation treatment and therefore automatically enjoy the favorable treatment of tariff reduction and exemption. By acquiring the status of "planned central economy" alone China cannot automatically acquire the most-favored-nation status. The second difference is the difference of obligations. By acquiring the status of "developing country" China needs not to accord developed countries relevant favorable treatments or make excessive changes in China's current economic system. If China joins the GATT under the status of "planned central economy," China has to accord developed countries relevant favorable treatments and make relatively substantial readjustments in its own foreign economic policies.

Judged from current international situation as a whole, there is no problem that China will be accepted as a full member of the GATT. It is only a matter of time. The key lies in ridding developed countries of their concerns and shortening the process of negotiation as much as possible.

Developed countries have four concerns over China's participation in the "GATT":

1. They are afraid that after China joins the GATT under the status of "developing country" China's cheap exports will affect the markets of developed countries.

2. Developed countries fear that after joining, China will increase the negotiating strength of the Third World in the "North-South Dialogue" and affect the interests of developed countries.

3. Developed countries are afraid that after joining, China will become a precedent for other countries with planned central economies which, one after another will apply for membership, causing a model organization of free trade to gradually lose its free trade function.

4. They fear that after China joins, GATT may have one country with two votes. This will happen if Hong Kong also joins because Hong Kong always does whatever China tells it to.

These concerns of developed countries are described concretely in a secret report of the secretariat of the "OECD" (abbreviation of the "Organization of Economic Cooperation and Development," popularly known as the "Rich Countries' Club"). This report has circulated lately among diplomatic circles in Beijing.

Developed countries have various suggestions on how to handle China's application. Rumors among diplomatic circles indicate the following:

1. Consider China's application a special case and give China the status of not being completely a "developing country" nor a "planned central economy".

2. Extend the negotiating period as much as possible, some say at least 3 to 5 years.

3. Demand that China make more concessions, namely make readjustments in its foreign trade system and policies of an even larger scale..

In our opinion, the concerns of developed countries are unnecessary. First of all, they should realize that China is now reforming its economic system and that it is not satisfied with its own current foreign trade system. This is the reason why China is now consciously reforming its foreign trade system. As time passes, China's foreign trade system will improve substantially.

Second, they should realize that what developed countries are most unhappy about is the fact China uses the licence system in imports and exports and exercises control over foreign exchange, but they should also realize that these systems are aimed at China itself instead of foreign countries in the hope that exports and imports can be carried out in a more orderly manner.

Third, as of today, the dumping problem is only an imaginary fear because neither the United States nor other developed countries can prove that their markets have been affected by Chinese goods. Even in the most sensitive textile trade, there have not been many cases in which Europe and America adopted emergency measures to restrict Chinese imports.

Developed countries should realize that China's participation in the GATT will substantially expand the GATT's trading area. China has great resource and market potential. If developed countries give China a little support in the present stage, they will eventually increase China's ability to absorb foreign capital and commodities. Even the abovementioned OECD report which contains great doubts about China's participation cannot but admit: "It is hard to

imagine the possibility of excluding from the world trade system a country whose economic potential--hence trade potential--increases annually." If so, why not cooperate in earnest and let China join this international organization at an early date.

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CSO: 4006/1246



## FOREIGN TRADE AND INVESTMENT

### INCREASE IN TRADE THROUGH HONG KONG REPORTED

Beijing RENMIN RIBAO [OVERSEAS EDITION] in Chinese 26 Jul 86 p 3

[Article: "Mainland China's Entrepot Trade Through Hong Kong Increases"]

[Text] According to the statistics of the departments concerned in Hong Kong, in the first 5 months of 1986, the gross value of products sold by the mainland China through Hong Kong reached HK\$17.243 billion, an increase of 31.2 percent over the corresponding period of 1985. The proportion of mainland China's transit goods in Hong Kong's entrepot trade increased from 29.7 percent in the first 5 months of 1985 to 39.7 percent in the corresponding period of 1986.

The primary cause for the increase in mainland China's transit goods in Hong Kong is the steady recovery of European and American economies in 1986, the reduction of overseas inventories, and the expansion of demands for light industrial and textile products such as ready-made clothes, toys, and travelling goods which plus the rapid appreciation of European and Japanese currencies have made the products of mainland China relatively more competitive and enabled the sales of relevant transit goods to Europe and America to increase. Second, industrial production and marketing situations have taken a favorable turn in Asia and its neighboring areas, causing the consumption of industrial raw materials and semi-finished products to increase, especially demands for yarn and cloth, whereas mainland China happens to be the main supplier of such products. Third, Hong Kong businessmen's industrial investment in mainland China, the processing of imported materials, and compensation trade operations have further increased, causing the transfer of relevant products in Hong Kong to continue to increase on the one hand and counter trade to increase prominently on the other.

The entrepot trade of China through Hong Kong has been gradually changed to aim first at American and European markets and then at such countries and areas as Japan and Indonesia.

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CSO: 4006/1246

## FOREIGN TRADE AND INVESTMENT

### STATE 'SPRUCING UP' FOREIGN INVESTMENT ENVIRONMENT

HK230525 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 17 Sep 86  
p 1

[Article by Wang Xiangwei]

[Text] China is sprucing up its business climate in the wake of the first decline in foreign investment since it opened its doors to the world in 1979.

Complaints have been mounting from foreigners about bureaucratic delays, foreign exchange shortages, and daily business hassles. Chinese officials worry that the nation's glittering potential may be unduly tarnished.

A senior official from the Ministry of Foreign Economic Relations and Trade recently told BUSINESS WEEKLY the state is drawing up a set of measures to improve the investment environment and administration over joint ventures involving foreign investment.

Chu Baotai, deputy director of the Foreign Investment Administration of the ministry, said the best way to smooth out the problem of foreign currency shortages facing most joint ventures is to encourage them to produce goods needed on the international market.

"The problem of the acute hard-currency shortage will exist for a considerable time because the quantity of China's goods for export is very limited and the country needs so much technology and equipment for its modernization programmes," Chu said.

Both Sino-foreign joint ventures and state-owned factories are being encouraged to manufacture more goods for export, the deputy director added.

He said that formation of joint ventures focusing mainly on the domestic market will be discouraged.

As for joint ventures which have already gone into production, Chu said, they should increase the percentage of domestically made parts as much as possible to avoid the need to import.

He warned that joint ventures must depend on exports to balance their foreign exchange payments.

"In principle, the state will not be responsible for the hard-currency balance of joint ventures," he said.

However, he said, joint ventures whose marketing focuses on the international market will be given some priority in the supply of electricity and raw materials and in transport.

Taxation on those ventures will probably be relaxed even further as an incentive, he said.

To make exports easier, Chu said, the state has decided to extend the term of export and import licenses to 6 months, replacing the current need to obtain a license for each export or import.

At the same time, he said, the government is determined to deal with bureaucratic factors that frustrate foreign businessmen and to streamline procedures. "We will cut down some administrative departments that often interfere with the management of joint ventures."

In the past, he said, some governmental departments have hired or fired senior management personnel on the Chinese side in a joint venture without respecting the views of its board of directors.

He said that the government has singled out the Ministry of Foreign Economic Relations and Trade as the lone handler of foreign investment in order to simplify procedures.

As to complaints by some joint ventures about lack of qualified personnel, Chu said the ventures may file applications to the departments of labour and personnel for skilled workers.

And joint ventures may also advertise in newspapers. And those recruited by the joint ventures are allowed to resign from their factories.

Workers' wages on the Chinese side of a joint venture are allowed to be up to 150 percent higher than those of workers in state-owned factories.

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## FOREIGN TRADE AND INVESTMENT

### INQUIRY EXAMINES INVESTMENT VENTURES

HK170109 Beijing CHINA DAILY in English 17 Sep 86 p 2

[Article by staff reporter Chen Zhisong]

[Text] "How about the investment environment in China?" "What are the key goals established for the new venture?" "How do you believe your partner has met his commitment?" and "Do you feel that your business plan is being realized?"

These questions, among others, are listed in an interview guide presented to senior executives of some 50 equity joint ventures now operating in China.

They were prepared by the International Trade Research Institute of the Ministry of Foreign Economic Relations and Trade, and A.T. Kearney, Inc., International Management Consultants with headquarters in the United States.

The two sides agreed in May this year to carry out an investigation of China's joint ventures, to find suggestions for improving the investment environment.

China has so far established some 6,800 equity and contractual joint ventures with foreign countries and regions. About half of them have gone into operation, and many of them have been economically successful.

#### Problems

But, due to China's lack of experience, continuing economic reforms and shortcomings in the country's financial and legal systems, some joint ventures have hit problems, with the main grievances being over foreign exchange earnings and expenditures.

An official from the research institute said: "Our investigation seeks to clarify the situation by analyzing the problems in these ventures so we can seek solutions."

The inquiry is part of China's efforts to ensure that the joint operations can be successful. Last month, the government proposed several possible areas in which foreign investors could be granted specially favourable terms. The Bank of China is also amending its regulations on loans to joint ventures.

In the survey, other interviewees we selected are equity joint ventures in manufacturing industry with a combined investment of more than \$1 million," said the official. There are now over 2,000 equity joint ventures in China.

The official said the ventures were well settled-in and had problems which epitomised those others in this sphere.

Joint ventures in service and light industries are relatively successful. But in high-technology and manufacturing, investors have found the returns to be definite but distant.

Under the agreement, the research institute will contact representatives from both sides of the management of these ventures in China while the American side will talk to corresponding top management executives of parent companies.

The 50 interviewees include big names such as AMC, American Standard, Beatrice, Bell Telephone, Foxboro, Gillete, Otis, Sanyo, Schindler, Smith Cline Beckman, Sun Refining, Squibb, and Volkswagen, and are mostly from the United States, Japan, and Western Europe.

#### Report

Results will be presented in both Chinese and English. The first draft will be ready by the end of next month. The two sides will then set up a workshop in the United States to evaluate the report before a final announcement in December.

A.T. Kearney is one of the five largest management and consulting corporations in the United States, with some 1,000 employees worldwide.

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## FOREIGN TRADE AND INVESTMENT

### HIRING, FIRING AUTONOMY FOR FOREIGN FIRMS UNDER STUDY

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German  
19 Aug 86 p 2

[Article by Sz., Frankfurt: "Spanner in the Works of Joint Ventures. How PRC Tries to Resolve Dissatisfaction of Foreign Partners. "Problem Recognized"]

[Excerpts] There are reports that three trade and economic offices have been tasked with preparing a country-wide study of the problems and of how to resolve them. A joint study has been compiled by the State Economic Commission, the Ministry for Foreign Economic Relations and the State Council's bureau for the special economic zones in which most of the affected enterprises are located.

The study, which has been completed, is based on a wishlist put together by the investors about the most important controversies, such as the settlement of foreign-exchange accounts, the high wages of Chinese employees and the overblown PRC bureaucracy. State sources indicated that the Commission is seeking--initially by way of seven basic changes--to establish more favorable conditions for foreign employees within the framework of the PRC economy.

These reportedly are: ... 6. Autonomy for foreign enterprises to hire, and if necessary fire, their Chinese employees. These enterprises must be permitted to advertise for Chinese personnel, instead of resorting to state employment offices. Foreign firms have accused the employment offices of inflating labor costs by demanding excessively high commissions. This personnel problem, which by the way was discussed by Zhang Shanmou, Chinese director general of Volkswagen in Shanghai, in a newspaper interview, has, from the very beginning, been one of the most complicated difficulties facing foreign-Chinese cooperation, and it is only a small consolation that purely Chinese businesses have voiced the same complaints. The Chinese argue that this is a matter involving the country's social structure which must not be violated.

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## FOREIGN TRADE AND INVESTMENT

### RENMIN RIBAO ON BRIGHT INVESTMENT PROSPECTS

OW191106 Beijing XINHUA in English 1041 GMT 19 Sep 86

[Text] Beijing, Sep 19 (XINHUA)--Foreign businesses investing in China will have brighter prospects as the economic situation becomes better and better, says a front-page commentary in today's "PEOPLE'S DAILY."

The commentary praises those investors who first opened enterprises in China 5 or 6 years ago when conditions were less favorable.

"Their confidence in China was not reduced by problems resulting from China's inexperience, or by the tedious process of reforming the old economic management system," the article adds.

These insightful investors not only looked at the present but could also foresee the future, it says.

Using a Shanghai-Hong Kong woolen mill formed in 1981 as a typical success story, the article credits this first joint-venture in the city of Shanghai with profits over 25 million yuan (6.75 million U.S. dollars) over the past 5 years.

According to the article, China is constantly working to improve its economic situation so that foreign enterprises can see rapid returns on their investments, and assure mutual benefit for all investors.

The commentary calls attention to Premier Zhao Ziyang's recent statement on China's intention to grant more preferential treatment to enterprises with direct foreign investment, and his call on ministries and local government to help create a better environment for investment.

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## FOREIGN TRADE AND INVESTMENT

### GOLD PRODUCTION RISING, 10.03 TONS EXPORTED SO FAR IN 1986

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German  
15 Aug 86 p 2

[Article, Hong Kong vwd: "China Expands Gold Production"]

[Text] The PRC is pushing its gold production and has vigorously expanded its gold sales this year. This reflects government efforts to build up PRC foreign-exchange reserves. Bankers working in gold trade at Hong Kong Square, which is considered to be Asia's most important gold market, are talking about the PRC's desire to become a gold producer with world stature.

The lion's share of this "China gold" is sold through Hong Kong, and the remainder goes through London, Zuerich and New York, according to the Hong Kong representative office of Schweizer Bankverein (Swiss Banking Association). In the crown colony, Beijing channels its gold primarily through the Red Chinese So Sang Bank Ltd. When asked, it was only confirmed that this year they had traded more gold for the PRC account. However, no figures were mentioned.

However, taking Hong Kong's gold import statistics as a measure, makes it clear that PRC gold export operations have shifted to the crown colony. According to these statistical data, Beijing exported 10.03 tons of gold to Hong Kong during the first five months of this year--before the end of last year, it was only 20,135 grams. This gold equals 351 (1.5) million Hong Kong dollars. At the same time, Hong Kong's total gold imports in these five months fell to 31.72 tons, as compared with 105.5 tons during the same time last year. This was due to the fact that, at that time, the price of gold was largely stagnating. The PRC share of Hong Kong's gold imports jumped to almost 32 (0.2) percent during the period under review.

At the end of March 1986, Beijing's official foreign-exchange holdings totalled 10.35 billion U.S. dollars, compared with 15.87 billion U.S. dollars in September 1984. Diplomatic circles in the crown colony believe that the majority of all current gold sales are made from production increases rather than existing gold reserves. International Monetary Fund (IMF) estimates put them at 12.7 million fine ounces as of February 1986, and they have remained unchanged since 1981, according to other IMF information.

On the other hand, PRC gold production, unlike its stagnating gold holdings, has steadily and vigorously grown over the years. During the first 7 months

of this year, PRC gold production rose by 3.7 percent over what it was last year and reached its highest level since the Communist takeover. Still, the official news from the PRC gives no absolute figures. In the past, the Red Chinese have always kept their actual gold production figures a secret.

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## FOREIGN TRADE AND INVESTMENT

### BRIEFS

**TIES WITH HONG KONG**--Beijing, 6 Sep (XINHUA)--The Chinese mainland is now the biggest investor in Hong Kong, with its investment there amounting to 5 billion U.S. dollars by the end of 1985. Meanwhile, Hong Kong had invested 2.3 billion U.S. dollars in the Chinese mainland, more than any other country or region, today's overseas edition of the "PEOPLE'S DAILY" reported. Mainland firms introduced 4.79 billion U.S. dollars in foreign funds between 1979 and 1984, the paper reported. Of this, 46.5 percent came from Hong Kong and Macao, primarily from Hong Kong. [Text] [Beijing XINHUA in English 0010 GMT 6 Sep 86] /9599

**AGRICULTURAL MACHINERY EXPORTS**--Beijing, 17 Sep (XINHUA)--The state will subsidize the development of up to five centers producing agricultural machinery for export, the "PEOPLE'S DAILY" reported today. The paper said the centers will open by 1990 and would concentrate on improving the quality of current products and on developing new exports. China sells agricultural machinery to 99 countries and regions in Western Europe, North America, and Southeast Asia. Leading products include small diesel engines, light and medium-sized tractors and internal-combustion electric generators. [Text] [Beijing XINHUA in English 1109 GMT 17 Sep 86] /9599

**RISE IN FOREIGN TRADE REPORTED**--Beijing, 18 Sep (XINHUA)--China exported goods valued at 18.8 billion U.S. dollars in the first 8 months of this year, up 15.7 percent over the same period last year. Meanwhile, the imports during the same period showed an increase of 6.7 percent, an official of the general administration of customs said here today. Textiles have become the main export of China, with crude and refined oils ranking second, the official noted. Exports of farm produce, coal, chemicals, pharmaceutical supplies and machine tools also increased. Economists attributed the good result to preferential policies encouraging enterprises to produce more exports, with cooperation between industry and government trade departments improving. Despite the achievements, the official called on industry and government organizations to achieve even greater results for the remaining 4 months of 1986. [Text] [Beijing XINHUA in English 1650 GMT 18 Sep 86] /9599

**PRC RAILROAD AID CONTINUES**--According to a high-ranking PRC Government delegation, the PRC will make available experts, trainers and spare parts so that, if South Africa should impose economic sanctions, railroad transportation in the countries of southern Africa can continue. [Dispatch from Frankfurt/Main: "PRC to Continue Support of Zambia and Lusaka Railroad"] [Text] [Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 12 Aug 86 p 2] 7821

ZAMBIAN RAILROAD AID CONTINUES--According to a high-ranking PRC Government delegation, the PRC will make available experts, trainers and spare parts so that, if South Africa should impose economic sanctions, railroad transportation in the countries of southern Africa can continue. [Dispatch from Frankfurt/Main: "PRC to Continue Support of Zambia and Lusaka Railroad"] [Text] [Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 12 Aug 86 p 2] 7821

CSO: 4620/67

## SPECIAL ECONOMIC ZONES

### SPECIAL ECONOMIC ZONES DEVELOPMENT FAVORABLE

OW170808 Beijing XINHUA in English 0751 GMT 17 Sep 86

[Text] Beijing, Sep 17 (XINHUA)--More than 100 projects involving foreign investment have been signed in 11 economic and technological development zones in coastal cities, according to the State Council's special economic zone office.

The 11 development zones are in the coastal cities of Dalian, Tianjin, Qinhuangdao, Qingdao, Yantai, Lianyungang, Nantong, Ningbo, Fuzhou, Guangzhou, and Zhanjiang and received approval from the State Council in 1984 to open to foreign investment.

Of the signed projects, over 20 have already started production and by the end of this year another 30 will begin operation.

The development of new technology and products account for 13 percent of the total and projects focusing on exports make up more than half the total.

The projects include Danhua bicycle plant, a Sino-Danish joint venture in Tianjin, Yaoxing marine products processing plant, a joint venture of Zhanjiang and Hong Kong using advanced fast-freeze equipment imported from the United States, and a fur garment plant, a Sino-Japanese joint venture in Dalian.

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## LABOR AND WAGES

### FIVE-DAY WORK WEEK IN INDUSTRY, SERVICE UNDER CONSIDERATION

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 14 Aug 86 p 9

[Article by rw., Beijing: "PRC Considers Five-Day Week"]

[Text] The PRC is thinking about the gradual introduction of the 40-hour work week. At present, most Chinese in the cities work 48 hours a week. A high-ranking official of the national Research Center for Science and Technology said in Beijing that industrial enterprises and the state's service industry will be the first sectors where a possible five-day work week will be studied. He said that modernization has resulted in significant productivity increases of industry. More leisure time encourages people to seek continued education and furthers family harmony, and tourism and other service sectors would benefit from it. The official also quoted Karl Marx as saying that social progress is primarily measured in terms of leisure time that is available to the people.

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## POPULATION

### NATIONAL CONFERENCE ON PROBLEMS OF AGED OPENS

OW161828 Beijing XINHUA in English 1621 GMT 16 Sep 86

[Text] Beijing, 16 September (XINHUA)--Timely measures should be taken to meet the problem of the increase in China's aged population in the next few decades as a result of a decrease in the birth rate and longer life expectancy.

People over the age of 65 will account for 7 percent of the total by the year 2000, as against 5 percent in 1985, according to a meeting which opened here today to discuss the problems of the aged.

Old people will make up an even bigger part of the population between 2020 and 2040, the meeting, which also discussed retirement insurance, was told.

China is economically backward, but the population is aging more quickly than that in many developed countries, the participants noted.

The present retirement insurance system, which is mainly operated by state-owned enterprises, will no longer be able to meet the changing situation, Zhang Shou, vice minister of the State Planning Commission, told the meeting.

As more and more people are engaged in collectively and individually-owned businesses and rural industries, the scope of insurance policies should be increased to meet the needs of aged workers of these categories as well. There is also an urgent need to establish special retirement insurance policies for the rural population of 800 million, Zhang said.

The state, the collectives and individuals should pool their efforts to collect more insurance funds for the aged, Zhang suggested, stressing that the past practice of putting the whole burden on the state would no longer be practical. He urged the whole of society to show concern for the welfare of the aged and push for appropriate legislation.

The experiences and lessons of other countries, especially those of the developed countries, in this field are worth learning from, Zhang said.

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## POPULATION

### SHANXI NOTES 'PARTIAL LOSS OF POPULATION CONTROL'

HK160159 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 15 Sep 86

[Text] At a recent provincial family planning work conference urgently convened by the provincial government, Vice Governor Feng Zhimao stressed that the key to reversing the passive situation of partial loss of population control in the province lies in resolving the problems of understanding among the leaders at all levels and focusing on improving work in backward counties and districts.

The leaders of 28 backward counties and districts in family planning work who attended the meeting fully realized the gravity of the partial loss of population control in the province. Analyzing the reasons for the backward situation in their own areas, they pointed out that the cadres lack sufficient understanding of the significance of population control; they have failed to get a good grasp of the work and lack correct understanding of the spirit of central document No. 7. They are incapable of grasping the two kinds of production together. They have not got a tight grasp of pilot projects in perfecting the birth policy and popularizing their experiences. Ideological education has not been carried out in depth. The policy provisions have not been strictly implemented, and their effects have not been guaranteed. Work methods are not good enough, and management measures have not been firmed up. A few party-member cadres are unable to set an example; this has had a bad effect.

On the basis of analyzing the reasons and enhancing understanding, the [word indistinct] decided that it is urgent to grasp the following tasks in order to change reverse the passive situation of loss of population control.

1. The leaders at all levels must fully realize the harm done by the current partial loss of population control in Shanxi [words indistinct].
2. Teach the cadres and masses to establish a new concept of birth.
3. Unswervingly implement the birth policies and block loopholes in family planning work. A first birth must be planned, a second must be [word indistinct], and a third must be prevented. It is necessary to set strict demands on party and CYL-member cadres, and they must resolutely act according to the demands of the open letter of the central authorities.

4. Get a good grasp of comprehensive handling of the problems and coordinate the efforts of all departments to get a good grasp of focal points. It is necessary to seek truth from facts, act in light of local conditions, and provide appropriate guidance.

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## TRANSPORTATION

### LI PENG ADDRESSES DEFENSE TRANSPORT CONFERENCE

OW120033 Beijing XINHUA in English 1523 GMT 11 Sep 86

["Defense Transport Sector Should Shift to Civilian Construction"--XINHUA headline]

[Text] Beijing, September 11 (XINHUA)--China's defense transport and communications sector should serve the country's economic development efforts and shift to civilian construction, Vice-Premier Li Peng said here today.

Addressing an on-going conference on defense transport construction, he said, "China is now facing a relatively peaceful international environment and a domestic environment marked by stability and unity."

"Now is an excellent time for us to speed economic construction," he told the conference. Economic construction is China's first consideration, and therefore defense construction, including the work of transport for preparations against war, must be subordinate to it.

"With this in mind, we should see to it that the defense transport and communications sector serves the needs of both peacetime and wartime," he added.

He called for a change in the guideline of China's defense work thorough readjustments and reforms. "But this does not mean that we will give up the work. On the contrary, we'll do it more efficiently than before," he said.

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## TRANSPORTATION

### DALIAN TO OPEN AIR ROUTE TO HONG KONG

#### Airport Renovation Project Begun

OW110805 Beijing XINHUA in English 0748 GMT 11 Sep 86

[Text] Dalian, September 11 (XINHUA)--Dalian airport will open an air route to Hong Kong later this year to become the first international airport in northeast China, an official of the Dalian Municipal Government told XINHUA today.

The city government has already invested in an airport renovation project, he added, and with the approval of the State Council, the city also plans to open air routes to Japan.

After the recent approval of 84 joint ventures with foreign firms totaling 325.37 million U.S. dollars, the Dalian City authorities are busy improving hotel service, harbor facilities, and telephone service to handle the demands of growing economic activities and foreign investment, he said.

As a major port and coastal city, Dalian is receiving a growing number of ocean-going vessels. The city also began an overall reconstruction of harbor facilities this year.

#### Flights Scheduled

OW131319 Beijing XINHUA in English 1151 GMT 13 Sep 86

[Text] Dalian, September 13 (XINHUA)--An air service from Dalian, a leading trading port and one of the 14 coastal cities now open to foreign investment, to Hong Kong will open September 24.

The new route will be served by return flights once a week, according to a spokesman for the city government at a news briefing today.

Dalian, also a tourist center, attracts large numbers of businessmen and visitors. Until now, passengers from Hong Kong to Dalian have had to change planes at Beijing or Guangzhou.

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## TRANSPORTATION

### MORE CIVILIAN AIRPORTS UNDER CONSTRUCTION

HK111545 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0331 GMT 11 Sep 86

[Text] Beijing, 11 September (ZHONGGUO XINWEN SHE)--This reporter has learned from the planning department of the Civil Aviation Administration of China [CAAC]: After being extended and renovated, four large and medium-sized airports of the CAAC have been commissioned this year and another four newly built or extended small and medium-sized airports will be commissioned this year. The construction of six new airports has also started this year.

The CAAC now has 90 airports, of which 83 handle regular flights. However, they are still unable to meet the rising needs of the civil aviation undertakings. For this reason, during the Seventh 5-Year Plan period, the Chinese Government will invest a large amount of money to build or extend 40-odd airports, chiefly airports at international gateways, provincial (regional) capitals, important economic zones and tourist places, open coastal cities, and some areas with poor transport facilities.

The four large and medium-sized airports that have been commissioned this year are in Dalian, Qingdao, Changchun, and Haikou. The four small and medium-sized airports that will be commissioned this year are in Huhhot, Shashi, Beihai, and Yinchuan. The Beihai Airport is a new project.

The construction of six new airports in Luoyang, Chongqing, Changsha, Shantou, Yulin, and Nanchong has started this year. Efforts are being made to start the construction of three airports in Ningbo, Xian, and Shenyang this year.

Moreover, the government has started construction of airports in Kunming, Wenzhou, Xining, Dayong, Xiangyang, and Guanzhou. The airport designs are being made so as to start the projects in the first half of next year. The government has also approved the construction airports in Jinan, Wuhan, Nanjing, Yantai, and Nantong but the designs for the airports have yet to be made.

Designs are being made for the departure lounges at Shanghai Airport, Guangzhou Baiyun Airport, and Chengdu Airport.

With regard to the construction of the Shenzhen and Zhuhai airports, the State Planning Commission has entrusted the China International Project Consultancy Corporation with the investigation and demonstration work.

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## TRANSPORTATION

### BRIEFS

**NATIONAL DEFENSE HIGHWAYS**--Beijing, 6 September (XINHUA)--Many highways, originally built for national defense purposes in the early period after the founding of the People's Republic, have now become a major part of China's transportation network, producing remarkable economic benefits. Besides, since 1979, the departments concerned have revised the national defense highway construction plan by paying attention to the economic benefits that these highways may also produce. Over the seven years since then, approximately 1.8 billion yuan have been invested in building and renovating some 7,600 kilometers of national defense highways, all of which also serve as main transportation lines for the state and for the provinces or autonomous regions concerned. [Summary] [Beijing XINHUA Domestic Service in Chinese 0642 GMT 6 Sep 86 OW] /12913

**TRUCKING TRANSPORT OF GOODS**--Tianjin, 10 September (XINHUA)--Often congested more than one year ago, Tianjin port has remarkably changed its outlook by making good use of trucks in transporting its overstocked freight. Currently, there are about 1,500 trucks to transport goods and materials here every day. The time span of goods in port has been reduced from a former eight and a half days to six days. While inspecting Tianjin recently, Premier Zhao Ziyang pointed out: To use trucks to solve the problem of overstocking at the port is a crucial matter and a very practical issue as well. When cargo is sent within one to two hundred miles, it should be transported by trucks as much as possible so that the traffic will get through, thus linking up with the ship unloading. At present, the freight volume transported by trucks accounts for more than 40 percent of total transported goods and materials. Using highways and railways, respectively, to deliver cargo has solved the problem of overstocking and has ensured the immediate delivery of goods as soon as they arrive. [By Reporter Yin Keshan] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 2336 GMT 9 Sep 86 OW] /12913

**MORE HIGHWAYS FOR QINGHAI PROVINCE**--Xining, 16 Sep (XINHUA)--Qinghai Province in northwest China has built and rebuilt highways totaling 2,400 kilometers over the past 5 years. This has not only helped offer a more pleasant journey for tourists but also promoted the development of transportation in the province on the world's highest Qinghai-Tibet Plateau, said an official from the provincial transportation department. During the 1980-85 period, the province added new highways totaling 436 kilometers, rebuilt highways of 1,063 kilometers, and had 925 kilometers of highway asphalted. With 15,933 kilometers of improved roads in the province, the highways now link 97 percent of the townships in this sparsely populated area covering 720,000 square kilometers, the official said. Over the past 5 years, a total of 420 million yuan (114 million U.S. dollars) of government investment and money pooled by localities has been spent on highway construction, he said. [Text] [Beijing XINHUA in English 0159 GMT 16 Sep 86] /9599

CSO: 4020/2



EXPORT BOOM UNAFFECTED BY NT DOLLAR APPRECIATION

OW091145 Taipei CNA in English 0959 GMT 9 Sep 86

[Text] Taipei, Sep 9 (CNA)--Despite the appreciation of the NT dollar, the nation's exports increased over the past months and outperformed those of Japan, South Korea, Hong Kong, and Singapore.

The booming exports indicated that most domestic enterprises are quite able to adapt to the rise of the NT dollar, an official of the Council for Economic Planning and Development, said Monday.

In the past year, the NT dollar rose nearly 7 percent in value, but the South Korean and Hong Kong currencies declined slightly. However, the nation's exports in the first 8 months exceeded U.S. \$25 billion, more than South Korea's U.S. \$22.4 billion. Both nations' exports increased at an annual rate of 23 percent, the official pointed out.

Japan's exports, affected by the more substantial rise of the Japanese yen, shrank appreciably during the same period, while Hong Kong's exports grew only 5 percent and Singapore's remained stagnant.

The increasing national trade surplus will continue to strengthen the NT dollar in the coming months, he said. But he said the plunge of the U.S. dollar against the Japanese yen and the German mark will offset the inflationary pressure of the NT dollar's rise on the nation's exports.

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DECISION TO CUT TARIFFS TO OPEN MARKET

OW110515 Taipei CNA in English 0247 GMT 11 Sep 86

[Text] Taipei, Sep 10 (CNA)--A decision was made in an inter-ministries meeting Wednesday to cut tariffs on a list of 1,200 items, such as automobiles, compact disc players, cameras, air conditioners, refrigerators, motorcycles, and motorcycle spare parts.

The decision was the last of a series of government moves in the 6-day meeting joined by officials from the finance and economics ministries, the Council of Agriculture, and other government agencies to further open the market to foreign goods.

The meeting upheld the proposal submitted by the MOEA that the import duties levied on heavy trucks shall be cut 2 percent to 58 percent, station wagons 5 percent to 55 percent, and auto spare parts will be slashed from the present 35-20 percent to 20-15 percent.

The import duties on motorcycles will be lowered from the present 65 percent to 55 percent, some motorcycle spare parts from the current 25 percent to 15 percent.

Other items on which the meeting agreed to lower import duties are: compact disc players, watches, toys, furniture, shoes, cameras, and sports ware.

The tariff cuts will enter into force after the tariff regulations are officially revised by the end of September and approved at a later date by the Executive Yuan.

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CSO: 4020/7

TAIWAN

HIGH TECH RESEARCH, DEVELOPMENT PLANS APPROVED

OW150547 Taipei CNA in English 0248 GMT 15 Sep 86

[Text] Taipei, Sep 14 (CNA)--The Ministry of Economic Affairs [MOEA] has decided to spend NT \$4.62 billion (some U.S. \$125 million) to promote more than 20 high technology research and development projects in fiscal 1988, particularly emphasizing the study of pollution control and prevention technologies, MOEA Minister Li Ta-hai said over the weekend.

MOEA, in a meeting of the ministry's department heads gave the go signal to those research and development projects to be promoted by the Industrial Technology Research Institute, the Center for the Development of Metallurgy Industry, the Textile Research Center and other research institutes.

The budget for high tech research and development in fiscal 1988 represents an increase of 22 percent over the NT \$3.8 billion set aside for fiscal 1987, Li noted.

The R&D projects focus on information electronics, mechanical engineering, petrochemicals, materials science and other strategic high technologies, with particular emphasis being placed on industrial pollution control so as to meet the ever increasing demand for environmental protection.

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CSO: 4020/7

FINANCE MINISTRY TO REVIEW IMPORT TARIFFS

OW172025 Taipei CNA in English 1458 GMT 17 Sep 86

[Text] Taipei, Sep 17 (CNA)--Finance Minister Robert C. Chien said his ministry has decided to make an all-out review on the current import tariffs and, in principle, will readjust downward the average maximum tariff rate from the current 67.5 percent to 57 percent.

Chien said that the government, in order to fully carry out trade liberalization and internationalization, will also lower the import tariffs on those products for which the Republic of China is exporting like products on a large scale, including textiles.

Chien made the remarks Wednesday while reporting to the Kuomintang Central Standing Committee on "a review and outlook of the ROC's tax system."

The minister pointed out that his ministry will review the newly implemented value-added business taxation system, improve the tax returns reporting formalities and study ways to prevent tax evasion. He also said that the government will study to eventually abolish the widely discussed stamp, goods, and slaughter taxes.

Coping with the government's policy of promoting the development of sophisticated technology, Chien said his office has decided to revise concerned regulations giving incentives to investments on high technology industries by deducting taxes.

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BRIEFS

MOEA TO SPUR INVESTMENT ABROAD--Taipei, 13 Sep (CNA)--The Ministry of Economic Affairs [MOEA] is planning to set up a large-scale industrial investment company in the near future to help domestic business interests invest abroad, MOEA Administrative Vice Minister Wu Mei-tsun said Saturday. To encourage and assist ROC [Republic of China] businessmen to invest abroad and effectively ease pressure brought by the nation's excessive foreign exchange reserve, Wu said it is time for the country to establish such a company. Wu said, an MOEA investigation of ROC's investment abroad showed that domestic businessmen have not made much investment overseas due to the lack of competent and qualified personnel and not being familiar with foreign laws and regulations related to investment. [Text] [Taipei CNA in English 0324 GMT 15 Sep 86] /9599

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ECONOMIC STABILITY REPORTED GROWING IN HONG KONG

OW162229 Beijing XINHUA in English 1537 GMT 16 Sep 86

[Text] Hong Kong, Sep 16 (XINHUA)--Hong Kong is enjoying growing economic stability and its residents have renewed their confidence in the future since the Sino-British agreement on the future of Hong Kong was signed 2 years ago.

This comment was made in the latest issue of the monthly, "ECONOMIC REPORT," published by the Hong Kong and Shanghai Banking Corp. here.

The report says that Hong Kong appears set to enjoy a sustained period of growth and will continue to "retain its status as one of the more successful and dynamic territories" in the region for many years to come.

"The Hong Kong dollar is no longer a victim of intense speculation," it said, adding that Hong Kong's inflation has remained steady and the region continues to enjoy almost full employment and rising real incomes.

Along with the improved property market, private home ownership has increased 20 percent to more than 300,000 units over the past 2 years.

The Hang Seng Index of the local stock market has reached successive highs, peaking at 1998 last week. This represents an increase of almost 100 percent since September 1984. The total turnover in 1985 rose by 55 percent to 76 billion H.K. dollars (about 9.74 billion U.S. dollars).

Despite the threat of the Jenkins Bill and the uncertainties associated with the negotiations on a new multi-fiber agreement, the textile sector, Hong Kong's leading industry, responded to the rise in demand by "re-equipping itself with new and better machines."

Referring to domestic exports, which experienced a difficult time in 1985, the report says that the revival of domestic exports since March this year has reaffirmed the vitality of Hong Kong's economy.

Domestic exports rose 14 percent in the second quarter of this year, surpassing the government's projected annual growth rate of 8 percent.

In addition, the Hong Kong Government has re-balanced the fiscal books after 3 consecutive years of deficits, the report says.

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